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PHILIPPINES
Turning away from foreign debt
Page 5

World News

BCCI creditors may receive $2.2bn from Abu Dhabi

Creditors in the collapsed Bank of Credit and Commerce International are *expected to* receive between $1.7bn and $2.2bn from Abu Dhabi, the majority shareholders, as part of a negotiated settlement.

This contrasts with $4bn which the emirate would have pumped into BCCI in April 1991, three months before it was closed down. With remaining bank assets of $1.1bn, this will give creditors $2.8bn-$3.3bn against known liabilities of about $10bn. Page 16

Eight die in ambush
Eight policemen were killed in two ambushes as the Islamic Salvation Front called on Algerians to resist *the state of* emergency decreed by the country's presidency. Page 5

Worker dies in port fire
One man was killed and three were *injured when fire broke* out in a storage tank under construction at docks near the *Grangemouth oil* refinery *on* the Forth estuary in Scotland.

Stasi boss stands trial
Former Stasi security police boss Erich Mielke, 84, long the *most dreaded man* in former East Germany, was carried into a Berlin court to face *charges for two murders com*mitted 60 years ago. Page 2

Tobacco ad ban vote
European Parliament is expected to back a European Com*mission plan to* ban all *tobacco* advertising, except at the point of sale, when it votes on the *draft directive today*. Page 2; Lex, Page 16

More troops for Ulster
Britain is sending 600 more troops to Northern Ireland in *a renewed effort to halt the* spate of sectarian violence which has claimed 26 lives so *far this year*. Page 7

Serb leader defiant
Milan Babic, president of the Serb-dominated Krajina enclave in Croatia, called a *referendum to decide whether* to accept a UN peace plan for Yugoslavia. Page 2

Clowes guilty of fraud
Peter Clowes, former head of *the collapsed UK investment* group, Barlow Clowes, will be sentenced at the Old Bailey *today after being convicted* on eight charges of fraud and 10 counts of thefts. Page 7; *picture, Page 16*

Indian bid to halt march
Indian troops mined *its fron*tier with Pakistan in an effort to stop a mass march across the border by *50,000* Moslem militants fighting for independence in Kashmir. Page 5

Greek bank chief named
Efthymios Christodoulou, who *gained a reputation* as a tough national economy minister after enforcing Greece's auster*ity programme*, is to become central bank governor.

UK in boat people plea
Britain asked Vietnam to agree to the rapid repatriate thousands of Vietnamese boat people in Hong Kong camps to avoid further clashes.

Kenyan rangers accused
Trial of two Kenyan game park wardens, accused of murdering British tourist Julie Ward three years ago, opened in Nairobi. The two face possible death sentences if found guilty.

Breast implant doubts
Doubts over the long-term safety of silicone breast implants increased when Dow Corning, biggest manufacturer of the device, released documents showing problems dating from 1971. Page 4

Roots author Haley dies
Alex Haley, author of the best selling chronicle Roots, later turned into a successful television series, died at the age of 70 in a Seattle hospital.

Business Summary

Opening of Channel tunnel put back

The Channel tunnel, which has been beset by bitter rows *over rising* costs and delays, is expected to open in the autumn next year, several *months behind schedule*.

Eurotunnel, the Channel tunnel operator, blamed contractors for the delay. The opening, which had been planned for June 1993 will now miss the peak season summer traffic. Page 16

TIME WARNER, US media *and entertainment giant*, more than halved its net loss last year from $227m in 1990 to $99m, partly as a result of a $2.6bn rights issue that reduced total debt to $8.7bn. Page 17

GERMANY, by far the biggest net contributor to the European *Community* budget, *is* pressing the Commission to re-examine Britain's budget rebate *worth* £2.35bn *($4.25bn)* last year. Page 16

JAPAN, which came close to lifting a ban on rice imports, is recalculating the domestic and international political costs of rice market reforms. Page 4

EC *competition: The* European Commission's decision to block a Franco-Italian takeover of De Havilland was "completely wrong", according to Martin Bangemann, EC industry and *internal market commissioner*. Page 2

MOTOROLA of the US and Northern Telecom of Canada are to pool more than $200m of assets and form a joint venture to market cellular telephone network systems in North and South America. Page 17

MEXICO'S congress is to vote on *radical changes to* agricultural laws which would allow the nation's 3m communal farmers *to own private* property. Page 4

SWISS Volksbank: A provision to cover a $73m loan to Maxwell Communications Corporation contributed to a slump in the 1991 profits and a dividend cut at Switzerland's fourth largest commercial bank. Page 17

CAP Gemini Sogeti, Europe's largest *computer services* group, is making a SKr500m ($88m) bid for Programator, its Scandinavian competitor. Page 18

WHIRLPOOL, domestic appliance manufacturer, announced an advance in after-tax profits to $170m for 1991, compared with $72m in 1990, despite a declining market in the US and flat European demand. Page 19

LASMO, independent oil exploration company, paid £6.7m ($12m) to terminate the contracts of seven Ultramar directors in one of the biggest post-takeover payments in British corporate history. Page 17; Lex, Page 16

AMERICAN Cyanamid, US pharmaceuticals and chemicals *group, faces a probe by author*ities over allegations that false data were submitted to the *Food and Drug Administration* for animal drug applications. Page 19

DEVELOPING nations: After years of gloom, the economic outlook for the world's poorest countries is hopeful, even optimistic, according to the United Nations Conference on Trade and Development. Page 4

PHILLIPS Petroleum, Oklahoma-based energy and chemicals group, plans to sell a 51 per cent stake in its gas gathering and processing subsidiary. Page 19

FOSTER'S Brewing, Australian brewer, has overcome difficulties in its shrinking agribusiness and finance *operations* to record almost static net earnings of A$183.5m (US$138m) for the half, against *a restated previous* figure of A$185.6m. Page 19

EC finance chiefs clash on German loan rates

By David Buchan in Brussels

GERMANY and France clashed over monetary policy yesterday at the first meeting of European Community finance ministers since the Bundesbank increased interest rates in December.

Germany's EC partners all expressed their frustration with Bonn, but France was the most openly critical.

Mr Pierre Bérégovoy, France's finance minister, complained that Bonn was not pay*ing enough heed to domestic* factors, such as fiscal and wage indiscipline, that affected *Bundesbank money rates and* thus all other EC economies.

Mr Horst Köhler, state secre*tary in Bonn's finance minis*try, hit back, arguing that Bonnhad to pick up the bill for *reunifying the country; yet at* the same it could not intervene in such private sector pay deals as the recent award of more than 6 per cent to the steelworkers.

"I find it somewhat strange that there should be so much more talk about a half percentage point rise in interest rates (the Bundesbank's discount rate increase in December), and so little about the Uruguay Round negotiations of the Gatt trade talks", retorted Mr Köhler.

The German government believes France is preventing any breakthrough on farm subsidies, German officials said.

Behind Mr Bérégovoy's comments lie an irritation that France has disciplined itself – bringing inflation down to an estimated rate of 3 per cent this year compared to 4.25 per cent across the Rhine – and would be well poised for recovery, but for having to match German interest rates.

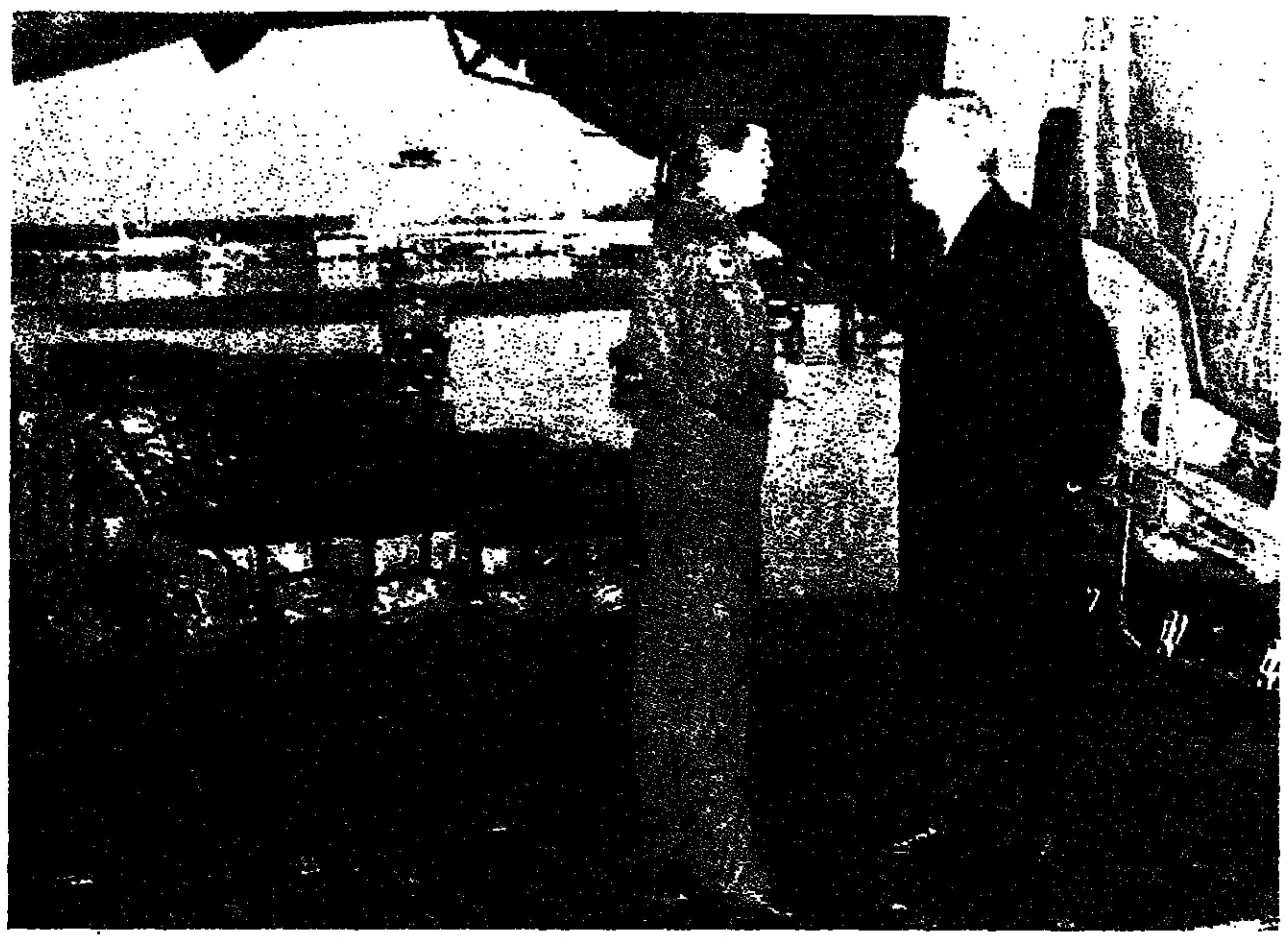
"This is creating friction", said Mr Guido Carli, *Italy's* veteran finance minister, who said the prospect of wage bat*tles in Germany raising further* interest rates "is worrying for us".

However, most other EC ministers seemed resigned to accepting that Germany had had no alternative.

Mr Bertie Ahern, Dublin's new finance minister, expressed "concern rather than criticism" – because Ireland benefits from EC structural funds "to which Germany is a good contributor." But higher interest rates were critical in choking off the foreign investment, or reinvestment, on which Ireland heavily depended.

All the ministers agreed that monetary policy could only be eased if there was first a "better balance" between savings and investment and a reduction of price and wage pressures."

The Commission's latest annual report, approved by
Continued on Page 16



US secretary of state James Baker discusses the airlift to Russia with an air force officer in Frankfurt yesterday

West steps up Soviet aid effort

By John Lloyd in Moscow and **David Waller** in Frankfurt

THE WESTERN airlift of food and medical aid to the former Soviet Union began to accelerate yesterday with aircraft landing in locations which have so far received little or no direct foreign help.

Operation Provide Hope, aimed at airlifting about 18,000 tonnes of supplies, has been discounted by some western politicians and officials as merely symbolic.

It was announced by President George Bush two weeks ago during a Washington conference on aid, and provoked other countries – with some reluctance – to join an operation which many believe to be irrelevant to the real needs of a country which is not starving, but urgently requires help for its economic transformation.

Speaking at a brief opening ceremony at the Rhein-Main air base near Frankfurt, Mr James Baker, US secretary of state, stressed the airlift was not charity but "investment in security – the west's security and global security and stability for decades to come".

Mr Baker also said money to support the rouble and to provide substantial imports to the former Soviet republics would not be forthcoming until credible economic policies were seen to be in place.

Mr Baker's comments suggest that the US – supported at least by Japan – does not believe that such policies are secured, in spite of the efforts of the Russian government's economic team, led by Mr Yegor Gaidar, the deputy prime minister. That team began negotiations yesterday with officials from the International Monetary Fund to thrash out an application for Russian membership.

Acceptance of the application would go a long way towards persuading foreign countries to lend money to support economic reform – funds which, according to Mr Boris Yeltsin, the Russian pres-
Continued on Page 16

Party finances probed, Page 16

Farm ministers round on Quayle after trade warning

By David Gardner in Brussels, **Frances Williams** in Geneva and **Robert Mauthner** in London

THE WARNING by Mr Dan Quayle, US vice-president, that a failure to conclude the Uruguay Round trade talks could lead the US to withdraw more troops from Europe drew sharp rebukes yesterday from European Community agriculture ministers.

The reaction came as Mr Quayle claimed his remarks had been misinterpreted.

The agriculture ministers were meeting in Brussels to discuss plans to reform the EC's Common Agricultural Policy and farm subsidy reductions within the General Agreement on Tariffs and Trade liberalisation negotiations – the main obstacle to conclusion of the Round.

Mr John Gummer, the UK farm minister, said: "There's been too much of this megaphone diplomacy. This kind of behaviour is not very helpful. There is a lot at stake, in a sensitive negotiation, which has to be between equal partners." He added that "no doubt it was something he [Mr Quayle] was not properly briefed on."

The UK has been among the minority of member states which have little difficulty with the formula on farm subsidies drawn up by Gatt in December, which the EC as a whole is seeking to renegotiate.

France has led efforts to limit the degree of liberalisation in farm trade sought by Gatt, whereas most of its partners want amendments to make the subsidy cuts compatible with EC farm reform.

Mr Quayle's damage limitation exercise, undertaken at a news conference in Geneva, was not entirely convincing. Although he denied any specific linkage between a breakdown of the Gatt talks and US troop levels in Europe, Mr Quayle nevertheless stressed that there was inevitably a link between economic and military security.

The US vice-president sought to distance himself from remarks made by other prominent US participants at an international defence conference in Munich on Sunday, who were more forthright than he was in underlining the military consequences for Europe of a failure in the Gatt talks.

Stressing that he wanted to correct a "misimpression", Mr Quayle said that, unlike the other speakers at the Munich seminar, he was speaking for President George Bush and the US administration when he said there was no linkage between the Gatt talks and US troop levels in Europe.

However, he followed up these soothing words with an almost equally stern warning that a breakdown of the Uruguay Round of trade talks could trigger "mindless spending" on subsidies, which the US would feel obliged to match.

Perrier shares rise on hope of counter-offer to Nestlé

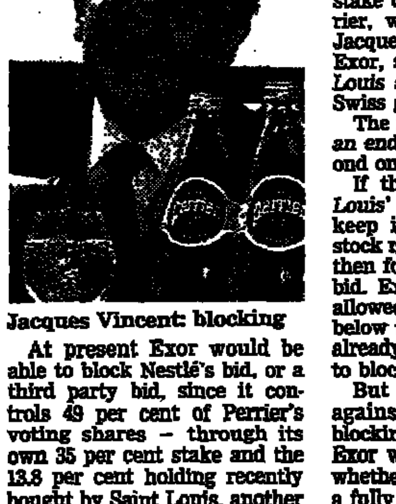
By Alice Rawsthorn in Paris

PERRIER, the French mineral water company embroiled in a battle between Nestlé of Switzerland and the Agnelli family of Italy, yesterday saw 2 per cent of its capital – 158,000 shares – change hands on speculative hopes of a counter-offer to Nestlé's FFr13.42bn ($2.48bn) hostile bid.

Speculators began buying Perrier as soon as the Paris *stock market opened*. The shares, which had been suspended since mid-December, *following the Agnellis'* FFr5.6bn bid for Exor, Perrier's controlling shareholder, closed at FFr1,501 against a suspension price of FFr1,396.

This left Perrier's shares trading slightly above the FFr1,475 offered by Nestlé and Indosuez, the French bank.

Exor, mooted as the likeliest contender for a Perrier counter-bid, also saw its shares shoot up after suspension. The Exor share price rose by 8.9 per cent to FFr1,438 yesterday, well above the FFr1,320 a share offered by the Agnellis.



Jacques Vincent: blocking

At present Exor would be able to block Nestlé's bid, or a third party bid, since it controls 49 per cent of Perrier's voting shares – through its own 35 per cent stake and the 13.8 per cent holding recently bought by Saint Louis, another company associated with the Agnellis.

However, it is not certain that Saint Louis will be able to hold on to its shares. Nestlé has filed two legal cases in France to try to nullify the stake on the grounds that Perrier, which is chaired by Mr Jacques Vincent, president of Exor, sold the shares to Saint *Louis specifically to block the* Swiss group's imminent bid.

The first court case comes to *an end next week and the sec*ond on February 25.

If the courts rule in Saint *Louis'* favour, it will be able to keep its shares. The French stock market authorities would then force Exor to make a full bid. Exor, however, would be allowed to make a token bid below the Nestlé price, since it already controls enough stock to block Nestlé's offer.

But if the judgment goes against Saint Louis, Exor's blocking stake will disappear. Exor will then have to decide whether to fend off Nestlé with a fully fledged counter-bid.

Stockmarkets, Page 36

CONTENTS

Japan's ruling party comes under increasing pressure

Prime minister Kiichi Miyazawa (left) is under pressure to restore the ruling Liberal Democratic party's tarnished image – or resign. There is *a deadlock over the* budget and the party failed in an important *by-election on Sunday*. Page 5

MARKETS

STERLING
New York close
$1.8185 (1.8385)
London:
$1.826 (1.838)
DM2.8675 (same)
FFr9.7775 (9.7725)
SFr2.5825 (2.5575)
Y231.25 (230.0)
£ index 91.4 (same)

GOLD
New York Comex Feb
$357.4 (356.5)
London:
$355.2 (356.4)

N SEA OIL (Argus)
Brent 15-day Mar
$18.80 (18.50)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.57815 (1.558)
FFr5.3785 (5.312)
SFr1.4107 (1.3895)
Y126.78 (125.325)
London:
DM1.5705 (1.5595)
FFr5.355 (5.3175)
SFr1.404 (1.392)
Y126.7 (125.2)
$ index 62.2 (61.9)
Tokyo close: Y125.35

US closing rates
Fed Funds: $3\frac{7}{8}$% ($3\frac{5}{8}$)
3-mo Treasury Bills:
3.816% (3.82%)
Long Bond:
$102\frac{14}{32}$ ($102\frac{5}{8}$)
yield: 7.779% (7.77%

STOCK INDICES
FT-SE 100: Yield 4.84
2,538.4 (+21.2)
FT-A All-Share:
1,215.54 (+0.7%)
FT-SE Eurotrack 100:
1,137.68 (+0.58)
New York lunchtime:
DJ Ind. Av.
close8 (+19.88)
S&P Comp
413.77 (+2.68)
Tokyo: Nikkei
21,819.52 (−287.80)

LONDON MONEY
3-month interbank:
$10\frac{1}{2}$% ($10\frac{9}{16}$%)
Liffe long gilt future:
Mar $97\frac{13}{32}$ (Mar $97\frac{7}{16}$)

Bangemann hits out at competition 'ayatollahs'

By Andrew Hill in Brussels

THE European Commission's controversial decision last year to block a Franco-Italian takeover of De Havilland, the Canadian aircraft manufacturer, was "completely wrong", Mr Martin Bangemann, the EC industry and internal market commissioner, said yesterday.

Mr Bangemann - who last October clashed with Sir Leon Brittan, the competition commissioner, over the case - also launched an impassioned assault on competition "ayatollahs", who rule on merger cases without taking into account economic reality.

His attack was not directed at Sir Leon himself, but at the "gurus" who staff national and Community merger control authorities. He singled out Germany's cartel office for particular criticism.

"What I'm angry about is that there are some academics, mostly lawyers by profession, who have no idea of the reality of economic life. They are the experts who are taking the competition decisions, which is complete madness," Mr Bangemann said.

Mr Bangemann's comments could reignite the smouldering debate over EC competition and industrial policy. In Strasbourg today, commissioners are set to agree a new Community budget, including provisions to retarget some existing EC funds to help struggling industries.

Bangemann: critical of decision on De Havilland

Competition advocates suspect such moves may result in funds being channeled "vertically" to individual sectors, such as cars or electronics, contrary to EC policy.

Mr Bangemann said yesterday that the Community should persist with its free-market industrial policy, but he added: "A horizontal approach does not mean you can't take up a definite example [for EC funding]."

The blocking of the De Havilland takeover was vociferously attacked by both Italian and French governments at the time and Mr Bangemann still disputes Sir Leon's recommendation. He said yesterday: "I have had to defend it [the decision] as a collegiate [Commission] decision and I've done that, but now I can say it was completely wrong, as has already been seen."

Sir Leon argued in October that the market for turboprop planes like those made by De Havilland was completely separate from the market for jets, but Mr Bangemann said yesterday that Lufthansa, the German airline, had recently decided to buy 50-seater jets to compete against turboprop aircraft on commuter routes.

Mr Bangemann made an attempt to dilute Sir Leon's influence over merger control inquiries last year. But that dispute appeared to have been defused last week when the Commission renewed Sir Leon's mandate to handle the internal decisions on such inquiries jointly with Mr Jacques Delors, the Commission president.

Separately, Mr Bangemann urged member states to continue their efforts to bring down internal EC border controls before the end of the year. He warned that Brussels would speed up legal action to punish member states which maintained controls in breach of EC obligations.

Former Stasi chief goes on trial

By Leslie Colitt in Berlin

MR ERICH MIELKE, the 84-year-old head of the former Stasi, East Germany's feared security police, yesterday became the most senior member of the Communist leadership to be placed on trial.

He was charged with murdering two policemen in 1931 as a young Communist seeking revenge for the murder of a Party member. Only later is Mr Mielke to be tried for crimes he allegedly committed against east Germans – including an order to shoot would-be escapees to the West – after becoming Stasi chief in 1956.

Mr Mielke, hunched under a brown leather hat and clutching a cane, was carried on a chair into the Berlin courtroom where he proclaimed that he was "feeling rotten." He has been held for nearly two years in a hospital cell of an adjoining prison.

Mr Hubert Dreyling, his lawyer, demanded that the trial be called off because he claimed that the crimes happened too long ago and that prosecutors' evidence was inadmissible and sometimes forged.

The defence also argued that the evidence relied on the Nazi regime's 1934 trial of Mr Mielke's party accomplices, many of whom were tortured by the SS militia or Gestapo security police.

Mr Mielke and a colleague were subsequently found guilty of first degree murder but fled to the Soviet Union.

As Minister of State Security, a post he held for 33 years, he hid the investigation findings and a 1934 order for his arrest at his home, where they were found on his arrest.

The court proceedings were interrupted at one point when a young man leapt to his feet and cried out that the trial was "pure fascism." He was ejected from the courtroom. Outside, members of leftist groups protested against the trial.

The Berlin state prosecution, however, believes it has its strongest case in the 1931 killings. Many east Germans, though, find the trial remote from their own experiences of extensive human rights violations by the Stasi.

Erich Mielke, former Stasi chief, is escorted into the Berlin Regional Court yesterday

MEPs likely to back plan to ban tobacco advertising

By Andrew Hill in Brussels and Philip Rawstorne in London

THE European Parliament is expected to back a European Commission plan to ban all tobacco advertising, except at the point of sale, when it votes on the draft directive in Strasbourg today.

However, the measure is likely to encounter serious opposition at the next meeting of EC health ministers in May. Ministers from a blocking minority of member states, including the UK and Germany, have already voiced their objections to the directive.

Parliament's vote on the issue was delayed for procedural reasons following a full debate in Strasbourg last month. Some MEPs argued successfully that the legal basis of the legislation should be re-examined. Parliament's legal affairs committee has since decided that Brussels was right to put forward the directive as a single market measure which only requires approval from a weighted majority of member states.

Nearly 30 amendments have been tabled, including proposals to change the legal basis of the directive and to overturn the legislation altogether. There is still a possibility that that the directive might be talked off the parliamentary agenda.

The Commission's plan seems sure of approval by MEPs in spite of heavy lobbying by tobacco companies.

In the UK, the Tobacco Advisory Council at the weekend launched another national advertising campaign opposing the EC proposals.

It said the campaign focuses on "Brussels' intransigence" in pursuing the ban in spite of a lack of evidence to support claims that it would reduce smoking. Mr Christopher Bullock, the TAC's director of public affairs, said: Brussels has simply ignored the facts ... preferring instead to listen to the special pleading of the anti-smoking lobby."

The European Commission is considering separate proposals for co-ordinating its legislation on advertising through a single department.

Advertisers and agencies have objected that disparate measures - including those on tobacco and comparative advertising - have emerged recently from different parts of the Brussels bureaucracy, without consultation.

Mr Martin Bangemann, internal market commissioner, said yesterday that he intended to produce a Commission paper on advertising and the single market which would try to resolve the problem. "[The current proposals on advertising] are too dotted about - they deal with single topics but aren't based on general considerations," he said. "That's why we must have real European legislation with a systematic structure."

Bonn rejects doubts cast on economic prospects for east

By Christopher Parkes in Bonn

THE German government yesterday rejected claims that it would be 20 years before living standards in the former East Germany matched those in the west.

Mr Dieter Vogel, the government spokesman in Bonn, stuck firmly to the official line that the process would take only five years at most.

He was responding to a charge from Mr Wolfgang Scheremet, a labour market expert at the respected DIW economic institute in Berlin, that the "desolate" condition of the eastern economy had been widely under-estimated.

Mr Scheremet said unemployment in the east would reach 1.5m in August, and claimed there would still be 1m people without work at the end of the decade. Unemployment in the east jumped to 1.34m, or 16.5 per cent, last month.

Forecasts that economic growth of between 7 per cent and 12 per cent a year would lead to equal living standards in three to five years were illusory, he added.

High pay awards in east and west were damaging competitiveness in the new federal states. Westerners would have to realise that unification had a very high price, and easterners would have to learn patience.

Official estimates of 10 per cent growth this year are based mainly on the construction boom and developing service industries.

According to the latest report from the Berliner Bank, oil refining, printing and food manufacture are also making better-than-average progress.

Output from manufacturing industry, meanwhile, is still around 70 per cent of pre-unification levels.

Figures published yesterday showed production in November last year was 1.5 per cent higher than in October, and 28 per cent lower than in November 1990.

Engineering output was 38 per cent lower than a year earlier and only half the pre-unification level.

Polish minister faces a test on spending

By Christopher Bobinski

MR Karol Lutkowski, Poland's finance minister, will be under pressure today from spending ministries in the new centre-right government led by Mr Jan Olszewski.

The outcome will be a big test of the finance minister's ability to restrain government spending and raise new taxes. Mr Lutkowski, a 52-year-old academic, is an advocate of stringent monetary policies in a government largely formed by critics of the International Monetary Fund-backed stabilisation policies run by his predecessor, Mr Leszek Balcerowicz.

"There is a conviction abroad that Keynesian methods of reinvigorating the economy are now appropriate," he said in an interview.

Mr Lutkowski was an adviser in the Finance Ministry under Mr Balcerowicz and over the last two years has taken part in the IMF talks. His appointment was meant to signify that no radical break with past financial policy was feasible.

This is partly because last year's agreement with the Paris Club of official creditors. The accord lead to books being closed on more than 50 per cent of Poland's $33bn (£18bn) official debt but is linked to compliance with the IMF performance criteria attached to a $2.5bn loan facility granted last April.

The IMF suspended disbursements after the first tranche because the Finance Ministry overshot several key criteria, including the budget deficit.

Mr Michael Deppler, deputy IMF head in Europe was in Warsaw last week for consultations. The government was reminded it needed an agreement with the Fund if it is to restructure its overall $46.5bn external debt – one third owed to western banks.

With this in mind Mr Lutkowski said he wanted to halve this year's inflation rate from around 70 per cent in 1991, and contain the budget deficit at around Zl 60,000bn (£2.92bn) or 4.5 per cent of GDP.

The finance minister wants to see this year's growth in net domestic assets limited to Zl 75,000bn which would leave nominal expansion at last year's level. But he faces pressure to raise the limit to Zl 100,000bn, at the cost of higher inflation

The latter are expected to decline by around $1bn (£550m) from around $4bn as Poland resumes servicing its foreign debt under last year's Paris Club agreement. This should be partially offset by private transfers by expatriate Poles.

Mr Lutkowski says Poland needs "deep cuts in public spending," trade union acceptance of wage restraint and a new network of tax inspectors to raise revenue and bring forward introduction of VAT from the original January 1993 target.

EC raises duty-paid allowance

By Andrew Hill in Brussels

EC finance ministers last night cleared the way for almost unlimited cross-border shopping for liquor and cigarettes from 1993.

Legal limits on the amount of duty-paid liquor and cigarettes EC travellers can bring home with them will be raised far beyond current levels by an EC directive approved yesterday, which sets up a definitive system for administering and policing excise duty after 1992.

This is the latest piece of the post-1992 VAT and excise system to be put in place, following last year's agreement on the broad indirect tax framework.

Under pressure from Germany, which would prefer the whole package to be agreed simultaneously, EC ministers also promised to complete the other elements before Portugal's EC presidency ends in June.

The outstanding issues include the definition of dutiable goods and the knotty question of harmonised VAT and excise rates.

There is a consensus on rates, but Britain in particular is unwilling to agree a formal text.

Under yesterday's agreement, border controls will disappear. But above certain indicative limits – as many as 800 cigarettes, 110 litres of beer, or 120 bottles of wine, for example – national authorities could stop travellers anywhere in the Community and ask for proof that the goods had been bought for personal consumption.

According to European Commission officials, buying more than the indicated limit of 90 bottles of champagne for, say, a wedding would be acceptable, but driving them home to sell to friends would not.

In practice, however, only the UK, Denmark and Ireland have said they will use an indicative limit at all. Other EC members seem set to allow unlimited cross-border shopping.

Date set for European news TV satellite launch

By Raymond Snoddy in London

THE prospects of Europe launching a satellite television news channel designed to rival Mr Ted Turner's Cable News Network have increased.

A launch date has been set for January 1 1993 for Euronews and the first tranche of finance has been agreed.

The European Community has said it will contribute Ecu3m ($3.87m) to the project and a matching amount has been promised by the governments of France, Italy, Spain and the French speaking community of Belgium.

The aim is to broadcast the news channel across all of Europe using the Eutelsat satellite system.

The aim of the channel is to reflect the cultural diversity of Europe.

Initially the channel will be broadcast in English, German, French, Italian and Spanish.

A shortlist of European cities has been drawn up for the headquarters of the channel and a decision is expected before the end of this month.

The contenders are Munich in Germany, Valencia in Spain, Charleroi in Belgium and Lyons in France.

● France's independent daily newspaper Le Monde said yesterday it had lost FFr28m ($5.17m) in 1991 because of a slump in advertising revenue, and could only hope to break even this year, Reuter reports from Paris.

Director Jacques Lesourne said that despite a price increase and cuts in staff and running costs the respected evening newspaper lost FFr13m more than forecast.

The newspaper's loss in 1990 was FFr39m.

Rebel Serb ignores Belgrade pressure

IN DEFIANCE of mounting pressure from Serbia, Mr Milan Babic, the president of Krajina, yesterday summoned the parliament of the Serb enclave in Croatia to consider a referendum on the UN plan to despatch 10,000 peace-keepers, reports Laura Silber from Knin.

As deputies in Knin, the capital of Krajina, assembled yesterday, Mr Babic accused the federal army of blocking roads to prevent them from reaching the parliament.

Mr Babic has consistently opposed the UN plan, pitting him against Serbian president, Mr Slobodan Milosevic, his former patron. Mr Babic objects to the plan, saying it lacks sufficient guarantees for the region's 250,000 Serbs.

Krajina's Serbs in August 1990 began their uprising against Croatia, fearing their fate in an independent Croatian state.

Serbia claims the UN plan has full support, ignoring the objections of Krajina's leaders. But the UN has never before deployed peace-keepers to a country unless all sides have agreed to accept them.

The UN is expected today to despatch an additional 25 unarmed liaison officers.

Yesterday's session came after a rival parliament in Glina, northern Krajina, on Sunday approved the UN plan, which treats the self-proclaimed Serbian republic as part of Croatia.

Mr Babic denounced the Glina parliament, which was attended by top army and Serbian leaders as "stage-managed by Belgrade." Opponents of Mr Babic among his former allies accuse him of stalling the UN initiative for political gains.

Demirel fuels reports of split over tax policy

MR Suleyman Demirel, the Turkish prime minister, left for the US yesterday leaving behind Mrs Tansu Ciller, his chief economics minister, fuelling further speculation of a government split over economic policy, writes John Murray Brown in Ankara.

Mrs Ciller last week denied rumours she is to tender her resignation, but her position looks increasingly precarious following the announcement in January of an 11 per cent rise in inflation.

There is also growing opposition within the government to her plans for tax reform and privatisation. These are seen as essential to tackle the budget deficit, running at more than 11 per cent of GNP.

Turkey discovers a new role in former Soviet central Asia

Leaders of 50m Turkic-speaking peoples look to Ankara as political and religious model, write FT correspondents

THE receptionist in Azerbaijan's largest hotel shrugged her shoulders and said slowly in Russian: "I'm sorry. I don't know English or good Russian. Do you speak Turkish?"

It is a question which is assuming increasing importance, not just in Turkic-speaking Azerbaijan, but right across the southern rim of the former Soviet Union.

For after decades of being stereotyped as the poor relation of Europe and the North Atlantic Treaty Organisation, Turkey is now discovering a new geo-political role for itself. The Soviet break-up is offering it the opportunity to build, with US encouragement, a new domain of political influence not just in the neighbouring ex-soviet Caucasus, but also among the 50m Turkic-speaking Moslems in ex-soviet central Asia, where Iran is a powerful competitor.

One illustration of this came earlier this week in Istanbul. After months of diplomatic jockeying, Turkey succeeded in persuading nine of the so-called Black Sea nations to sit down at the first ever Black Sea regional conference. Eight of the participants – Turkey, Azerbaijan, Armenia, Russia, Ukraine, Moldova, Bulgaria and Romania – initialled an accord to create a new Black Sea regional economic plan in which Turkey seems set to play a central geographical and political role.

However, it is to the east, in vast central Asia, that some believe the richest diplomatic pickings for Turkey lie.

Turkey's role in central Asia has long been an emotive issue. In spite of being separated from the region by the Caspian Sea, Turkey shares close ties with the region – all the central Asian republics apart from Tajikistan speak Turkic dialects. The school curriculum in Turkey, moreover, teaches that all Turks came from the plains of central Asia.

Although central Asia was never part of the Ottoman empire, earlier this century pan-Turkic sentiments led some central Asians to call for the creation of a common Turkic union. These dreams were squashed during the Soviet period, but they are re-emerging.

In Turkey, pan-Turkism, once a secret and conspiratorial movement, has acquired a respectability. The Turkish government itself has strenuously denied any charges of pan-Turkic aspirations. But some political voices have been heard expressing pan-Turkic sentiments.

Central Asia's leaders are overwhelmingly ex-communist. Although they have cautiously embraced the cultural aspects of the Islamic revival that has swept through the region in recent years – and are adamant that they do not want blindly to ape Russia or the west – they are also determined that they do not want to copy Iran or Saudi Arabia's model of Islamic orthodoxy. They hope that by aspiring to Turkey's mix of moderate Islam and western economics – the "Turkish way" as Mr Islam Karimov, the Uzbek president, calls it – they will stave off the threat of radical Islam.

In recent weeks the Uzbek, Kyrgyz and Kazakh presidents have all been effusive in their praise for Turkey.

Leaders of the region's fledgling opposition democratic parties, such as Mr Muhhamad Salikh, leader of the Uzbek Party "Erk", repeatedly cite Turkey as their model for democracy. And even the highly-influential Persian-speaking Tajik Moslem leader, Qazi Akbar Turanjonzoda, commented recently that "Turkey is the best religious and political example for us".

Turkey claims to be the first country to have embassies in all the central Asian republics, and was first to extend recognition to Azerbaijan's declaration of independence. The Turkish government has offered courses for Turkic republics' bankers and drafted legislation to despatch its own moderate Islamic teachers to the region.

But these diplomatic moves seem relatively limited when compared with the enthusiastic overtures being made by Saudi Arabia, Pakistan, and above all Iran – countries scrambling to gain a foothold in this vast new Moslem market, with its array of raw materials such as cotton, uranium, silk, natural gas and oil, not to mention nuclear weapons.

Saudi Arabia has already donated considerable religious aid to the region, including over a million Korans. Pakistan has said it would be prepared to support the central Asian republics in applying for membership of international organisations. Iran is rapidly building both religious and political ties with the region, in particular with neighbouring Turkmenistan and Persian-speaking Tajikistan – backed up by offers of oil and economic aid.

Similarly, although Turkish entrepreneurs are now the most visible foreign businessmen in Azerbaijan, they appear outnumbered in central Asia by Pakistanis, Afghans, Iranians, and South Koreans.

One reason for Turkey's apparent caution may be a cold-headed appraisal that its best future business prospect is Russia, not central Asia. Russia is the supplier of the natural gas underpinning Turkish-Soviet trade, which was worth more than $1.7bn in 1990.

Reporting by Gillian Tett, Steve Le Vine and John Murray Brown

US Secretary of State James Baker today embarks on an extensive tour of the politically sensitive southern republics of the former Soviet Union. The tour will include Moslem republics which Washington fears could fall under the sway of militant Islamic forces. Mr Baker will visit six newly independent states and the formerly closed Russian city of Chelyabinsk. Armenia, Azerbaijan and Moldova have been added to an itinerary that previously included only Uzbekistan, Turkmenistan and Tajikistan.

In Chelyabinsk, a centre of the secretive Soviet atomic weapons complex, Mr Baker is to meet Russian nuclear scientists, whom Western leaders fear may be seduced to work for anti-Western states.

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EUROPEAN NEWS

Portugal faces public sector strike over pay

By **Patrick Blum** in Lisbon

IN THE first sign of what could become a spring of discontent, unions representing Portugal's 800,000 public sector workers have called a one-day strike for next Tuesday to press for higher wages after the breakdown of tripartite negotiations with the government and employers.

The Social Democratic administration of the prime minister, Mr Anibal Cavaco Silva, is determined to bring inflation – currently above 11 per cent on an annual average – and the budget deficit down. This is part of an ambitious plan for economic convergence with the European Community in preparation for Economic and Monetary Union. But the government's budget cuts and efforts to keep public sector wages in check, combined with a decision last month to raise value added tax on basic goods and services, are meeting increasing opposition.

The strike call follows last week's unilateral announcement by the government that it will raise public sector pay by 8 per cent, in line with its inflation forecast for this year. The unions say this target is unrealistic and that the government's offer is penalising public sector workers, the majority of whom earn an average of Esc80,000-Esc90,000 ($580- $650) a month. They want a double digit rise, and argue that the government's announcement was unconstitutional as negotiations had not been completed.

Last month, several thousand public employees demonstrated outside the headquarters for Portugal's EC presidency, and the unions promise more protests. However, the government is intent on pushing through what it considers are necessary if unpopular decisions in the early part of its new mandate, having won an absolute majority in last October's election.

Greek unease at 'empire' reborn

By **Kerin Hope** in Athens

MENTION *Macedonia to a* Greek official and his expression becomes stern. Strong words follow about how the breakaway Yugoslav republic should choose a new name, like "Slavomacedonia" or "Western Macedonia", in order to avoid offending Greek sensibilities.

Nationalist fervour is sweeping Greece with an intensity that seems out of place in a European Community member-state which claims to be an enthusiastic supporter of European union. Left and right sound equally passionate. A former socialist minister declared: "We must make clear their use of the Greek name Macedonia amounts to a *casus belli* for our country." Last week, deposed King Constantine, who lives in Britain, hinted in a television interview that Greece should not rule out acquiring a piece of the Macedonian republic by force.

The ruling conservatives stop short of making inflammatory remarks in public. Still, they were held responsible for an unexpected ban last month on a press conference to present a report on ethnic minorities in Greece – among them the 40,000 Slavomacedonians who live close to the border with Macedonia.

"The country has been seized with hysteria over the Macedonian issue. It's unfortunate because the Greek position can only lead to isolation," says Professor Nikiforos Diamandouros, a political scientist at Athens University and a member of an Athens human rights group which organised the press conference.

The Greek argument is that the name Macedonia, chosen by Tito when he carved the republic out of Serbia in 1944, implies a territorial claim on the Greek province of Macedonia. According to Mr Antonis Samaras, the Greek foreign minister, Greece will not recognise the republic unless it changes its name, and gives guarantees it has no territorial ambitions and will refrain from propaganda attacks against Greek interests.

So far only Bulgaria and Turkey have recognised Macedonia, but other European countries are expected to do so before much longer. Popular resentment over Macedonia reflects a deep-seated feeling among Greeks that their Slavic neighbours have usurped a heritage associated with Alexander the Great, the Macedonian king whose conquests 2,300 years ago established Greek dynasties as far away as Persia and Afghanistan.

However, Greek bankers and businessmen are becoming increasingly annoyed with the furore over Macedonia. About 100 Greek companies are involved in joint ventures there, mostly producing clothing for export. Owners are worried that their cross-border investments may collapse if a compromise is not found soon.

Swedish newspaper crash hits opposition

THE secretary of Sweden's opposition Social Democratic party offered his resignation yesterday after a group of newspapers controlled by the party filed for bankruptcy, Reuter reports from Stockholm.

Mr Bo Toresson, party secretary since 1983 and a board member of the A-Pressen group, told a news conference he had offered to resign as a result of the crash. His offer will be reviewed on Thursday by the party's board.

Party leader Ingvar Carlsson said the Social Democrats, who ruled Sweden for most of six decades up to last year, would restructure most of its newspapers in a new group and inject SKr 100m ($17.5m) in capital. But Mr Carlsson said the party could not afford to assume financial responsibility for three of the group's newspapers, including the flagship Arbetet – a morning paper based in the southern town of Malmö.

"This is a very difficult and painful measure for the party. We lose ownership of three important newspaper companies and there is a risk that these papers will cease publication," he said.

Crackdown on Basque party

Spain's attorney-general yesterday ordered the immediate arrest of three radical Basque politicians accused of aiding and abetting terrorism, his office said, AP reports from Madrid.

The action came only a few hours after suspected Basque separatists set off a car bomb in Murica that killed a policeman who became the 11th victim of political violence in Spain this year. Mr Leopoldo Torres filed the suit against Jon Cruz Idigoras, a deputy in the lower house of the Spanish parliament for the radical Basque party, Herri Batasuna (HB), Floren Aoiz, deputy for HB in the regional parliament of Navarre and Patxi Zabaleta, a member of HB's national executive committee.

Poll setback for Romania rulers

Romania's opposition has emerged from elections as a force to challenge the ruling National Salvation Front (NSF) for the first time since the removal of Nicolae Ceausescu, Reuter reports from Bucharest.

Sunday's polls to elect mayors and councillors passed with minor upsets but without the heavy bloodshed that followed the December 1989 revolution. An exit poll conducted by the BBC in Bucharest suggested the 14-party Democratic Convention opposition bloc would get up to 40 per cent of the vote, the NSF 30 per cent and the ultra-right nationalist RMP 10 per cent.

Volcker may be guru to save rouble

The band of consultants in Moscow is growing, write **John Lloyd** and **Leyla Boulton**

FROM the heart of government headquarters to smart western-style hotels, Moscow is swarming with foreign consultants and gurus telling the republic how to proceed to a market economy.

Likely to join them is Mr Paul Volcker, the former (two-term) chairman of the US Federal Reserve Board, who is considering an offer to serve as a part-time adviser to the Russian government on economic and banking reform.

Mr Volcker now divides his time between teaching at Princeton's Woodrow Wilson School of Public and International Affairs and serving as chairman of James Wolfensohn, a New York investment bank.

The areas on which Mr Volcker might provide advice include the banking system, currency arrangements between the various republics of the Commonwealth of Independent States and Moscow's relations with the International Monetary Fund.

Mr Volcker would work alongside other advisers to the Russian governments.

At the top of the pile, three professors – Jeffrey Sachs of Harvard, Anders Aslund of Stockholm, and Richard Layard of the London School of Economics – are publicly advising the Russian government on a "shock transition" to a market economy.

They have even joined in Russian political battles, accusing Mr Georgy Matiukhin, the chairman of the Russian central bank, of destabilising government reform with a lax credit policy.

Funded by western foundations, the trio have also led calls for massive financial aid from the west.

Volcker: may give help on banking and currency arrangements

Behind the scenes, the IMF, with its unrivalled experience of economic reform around the globe, is providing advice of a more discreet kind. But it is coming under increasing pressure to lead from the front, not least to cut through the chaos within the former Soviet Union and the differences among western governments on how to help.

"The Russians say they are in the hands of Jeffrey Sachs because they do not know what the IMF is recommending," said one western diplomat.

"Meanwhile western countries are each doing their own thing in their own corner. The Fund should play a co-ordinating role," the diplomat added.

The IMF counters that it cannot put its prestige on the line by getting involved in internal Russian politics. Besides it says that the government, led by deputy prime minister Yegor Gaidar, is perfectly aware of what the IMF wants it to do. "It is just not possible to do it all overnight," explained Mr Sergei Alexashenko, an independent economist who has contacts with both the government and its foreign advisers.

Still the tremendous difficulty of switching to a market economy after 74 years of communism leaves the door open for any outsider who offers decisive advice and attractive solutions.

Hence the arrival in Moscow last month of a new consultant to the government, Mr Jude Wanniski, a former editorial writer at the Wall Street Journal.

Mr Wanniski is proposing that the Russian government issue long-term bonds which would be backed by reserves of natural resources such as gold, oil, gas and other assets.

The bonds, which would be issued in lieu of interest payments to foreign creditors and in tandem with a new currency, are seen as a way of salvaging the savings of ordinary Russians, while giving Russia breathing space to restructure the economy.

He is vociferously opposed to the recommendations of Prof Sachs, saying they will topple the government, cripple the economy, and give priority to foreign creditors at the nations expense.

Another outside plan has been put forward by Mr George Soros, the private benefactor of eastern European reform, who wants the west to finance a payment union enabling republics to trade with each other even if they switch to separate currencies.

The proposal is due to be discussed by Russia, Ukraine and other republics at a meeting brokered by the European Commission in Brussels next week.

At the lower end of the scale, consultants funded under western "technical assistance" programmes are advising officials and enterprises on various areas of micro-economic reform.

The danger is different from that at the top. It is about how former Soviet republics can avoid receiving "soft advice for hard currency" as private consultancies rush to cash in on what is sometimes seen as just a gravy train.

The problem of selecting consultants with proven competence and expertise may become particularly acute as the European Commission begins to assign contracts this year for its Ecu400m ($516m) technical assistance programme.

Another concern is that the assistance should be well targeted.

Apart from pushing British companies' "expertise" on privatisation, a Russian-British seminar in January ranged from kindly generalisations ("Keep a steady course and don't lose heart," advised Mr Edward Leigh, a junior minister from the Department of Trade and Industry) to over-sophisticated advice on public share flotations.

The Russian officials attending the seminar had not even begun a crucial first stage of privatising small shops and the trade sector, so it was not surprising that what many of them really wanted from their trip to Moscow were long-promised government instructions on how privatisation was to be carried out.

But a heartening contrast was provided by a simultaneous privatisation seminar which was co-sponsored by the World Bank in another part of Moscow.

Its purpose was to train representatives from several former Soviet republics to form their own privatisation experts and agencies.

The advice was practical, drew on concrete experience, and was designed to help republics help themselves

Foreign Speakers included the likes of Mr Marco Simoneti, from Slovenia's privatisation agency.

He urged participants to decide clearly what they wanted from their western advisers, and also gave timely advice on how to side-step old-style communist politicians when running a privatisation agency.

The need for purely practical assistance was also emphasised in a recent interview by Mr Anatoly Chubais, Russia's privatisation chief, who expressed gratitude for an abundance of foreign advice.

However, he added that what he really needed now were computers, photocopiers and fax machines to help agencies round the country carry out privatisation.

AMERICAN AND WORLD TRADE NEWS

Millions of farmers will win right to own private property

Mexican farm laws face radical reform

By Damian Fraser in Mexico City

MEXICO'S Congress is to go into an extraordinary session tomorrow to vote on radical changes to the nation's agricultural laws and pension fund system.

The overhaul of the antiquated agricultural sector is considered one of the key reforms proposed by President Carlos Salinas de Gortari since he came to office in December 1988, and is likely to have far-reaching political and economic consequences.

The new laws will give Mexico's 3m *ejidatarios* (communal farmers) the right to become private property owners, if two-thirds of the *ejido* votes in favour; to form joint ventures with private businessmen; and to use their land as collateral for loans.

Private property owners will be able to form joint stock companies, thereby partly skirting the constitutional limits on the size of farms and helping them raise money in the capital markets.

The *ejidos*, set up after the country's revolution of 1910-20, now occupy about half Mexico's agricultural land. All Mexicans have the theoretical right under the constitution to farm the land under the *ejido* system and many would-be farmers are already protesting at the changes.

The government has also proposed sweeping changes to the pension fund system which will have a substantial impact on Mexico's capital markets.

Employers will have to put 2 per cent of the salary of each worker into a personal pension fund, and another 5 per cent into a personal housing fund.

Workers can draw down their fund when retired, unemployed or buying a house. The fund managers, selected by employers, will be banks, and the money will be invested in government bonds.

These will offer a real return of between 2 and 6 per cent a year. The fund will run alongside the existing system.

● Mexico's monthly inflation reached 1.8 per cent in January, against 2.4 per cent a month earlier.

The January figure, although the lowest in 17 years, is steeper than expected and too high if the government is to reach its year-end target of 9.7 per cent.

Japan rethinks lifting of rice ban

By Robert Thomson in Tokyo

THE Japanese government, having come close to lifting a ban on rice imports, is recalculating the domestic and international political costs of rice market reforms.

A poor performance by the ruling Liberal Democratic Party (LDP) at a weekend by-election has left party leaders nervous about the impact of market liberalisation before an upper house election scheduled for July.

Last month, Mr Kiichi Miyazawa, Japan's prime minister, suggested that allowing rice imports would not necessarily damage farm incomes, a comment generally interpreted as meaning that the political damage could also be limited.

However, Mr Miyazawa has now retreated into ambiguity, proposing no more than that Japan should "examine" replacing the ban with a tariff regime.

The rice issue has, in part, been a contest between the Foreign Ministry, which wants to safeguard Japan's international reputation, and the Agriculture Ministry, representing farmers' interests.

Mr Michio Watanabe, the foreign minister, has urged the government to announce liberalisation before the March 1 deadline for food trade submissions in the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade (Gatt).

But agriculture ministry officials privately argue that there remains little likelihood of a broad agreement on agriculture, and Japan would be foolish to make an unnecessary concession.

Publicly, the ministry opposes an opening on the grounds of "food security", and because imports would lead to fewer paddy fields and, perhaps, increased flooding in rural areas. It also suggests that rice has a "spiritual" importance for Japanese and should be exempt from the Gatt negotiations.

Factional heads of the LDP informally agreed more than a year ago that the rice market would be opened. Aware that a decision has been taken in principle, farmers' leaders have encouraged protests in the belief that the ultimate announcement will be accompanied by compensation for farmers, and the larger the fuss, the larger the payout.

LDP leaders are hoping to limit the foreign share of Japan's 10m tonne rice market to between 3 and 5 per cent, and Mr Watanabe believes that this could be achieved by replacing the ban with a 700 per cent tariff on imported rice.

In spite of the issue's sensitivity, imports are likely to have far less impact on Japanese farmers than the government's own crop reduction measures.

OECD export credit rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially supported export credits for Feb 15 - Mar 14 (Jan 15 - Feb 14 rates in brackets):

D-MARK 9.04 per cent (9.51);
FRENCH FRANC 9.96 (10.31);
GUILDER up to 5 years 9.40 (9.75); 5-8.5 years 9.35 (9.75); more than 8.5 years 9.35 (9.75);
ITALIAN LIRA 11.98 (12.25);
YEN 5.80 (6.40);
PESETA 12.55 (12.87);
STERLING 10.69 (10.89);
SWISS FRANC for credits of less than 8 years 7.48 (8.30); for credits of more than 8 years 7.48 (8.55);
US DOLLAR for credits of up to 5 years 6.40 (7.09); 5-8.5 years 7.24 (7.49); for credits of over 8.5 years 7.70 (7.49).

These rates are published monthly by the Financial Times, normally around the middle of each month. They apply to all export credits, except that, on those to middle-income and poor developing countries, the OECD matrix rate can be used if lower. This is a standard set of rates reviewed twice a year, usually on Jan 15 and July 15. Exceptionally this year the matrix will be subject to change on Feb 15.

Conservatives bring protectionism out of closet

Bush, under attack by Republican left and right, is making what could be free trade's last stand, writes **Nancy Dunne**

MR Pat Buchanan, the conservative commentator running against President George Bush in New Hampshire for the Republican presidential nomination, has brought to the fore a new truth in US politics: protectionism, even isolationism, is no longer "politically incorrect" among American conservatives.

President Bush, under attack from left and right, is making what could be a last stand for free trade. Thus, the warning of a US turn inward, issued in Munich on Sunday by US vice-president Dan Quayle and his senatorial colleagues, is no empty threat to push the European Community into submission in the international trade talks.

The trade debate cuts across party lines. In New Hampshire, Democratic presidential runner Senator Tom Harkin plays the economic nationalism tune with unabashed enthusiasm. Senator Bob Kerrey stands in the middle with promises to get tough against Japan, which is where President Bush, innately a free trader, has been moving for the election season. Governor Bill Clinton of Arkansas and former Senator Paul Tsongas are both internationalists.

Among conservatives the rise of protectionism has been fuelled by the end of the Cold War. Mr John Cregan, president of the Business and Industrial Council, an advocacy group of 1,500 strongly nationalistic companies, argues that free trade was only viable as long as it was in US interests. When the US dominated the world market-place, it could afford to make concessions to solidify alliances against a common communist foe.

Concerned about the erosion of US economic sovereignty, he and many other conservatives see support for protectionism as a return to the natural order. Lincoln, he says, was "a proud protectionist".

The struggle under way for the soul of the conservative movement was illustrated by a recent debate at the Heritage Foundation, a centre of conservatism, between Mr Cregan and Mr Jim Bovard, a committed libertarian author who contends that those who say the US market is open are "hypocrites or dishonest or fools".

"The fraudulent and failed nature of this [free trade] approach was sadly illustrated in the president's pathetic trip to Tokyo," said Mr Cregan.

"We once again enter trade negotiations armed with nothing stronger than the gospel according to Adam Smith. We expect a nation that is growing by the size of Canada's GNP every three years – a most generous investor in Treasury bills and the world leader in ceramics, robotics and memory chips – not to lash out once the 'free trade' missionaries have gone home."

He said the "liberal trade syndrome" failed to recognise that, having won the titanic struggle between capitalism and socialism, America was in another competition that pitted American-style entrepreneurial enterprise with a mutant form of capitalism perfected by the Japanese and adopted by a host of Asian countries.

"We have made the same mistake over and over of viewing Japan or Korea or even Germany, with its structure of financial/industry combines, as more or less like us."

Mr Cregan said he supported a bold foreign trade policy for the post-Cold War. It called for domestic policies that empowered the individual to be free from excessive government interference at home, while ensuring that the entrepreneur was freed from distortions of the market through economic aggression from abroad.

Mr Bovard, on the other hand, argued that in some areas, America was one of the most protectionist industrial countries in the world.

"Our agricultural import quotas permit each American citizen to consume the equivalent of only one teaspoon of foreign ice cream per year, two foreign peanuts per year, and one pound of imported cheese per year. We have import restrictions on 500 different steel products, on autos from Japan, on machine tools from Japan and Taiwan, on beef from Australia and Argentina, on butter from Europe and on cotton from Egypt."

He said that while the average American tariff was now about 5 per cent, some tariffs were "in the stratosphere". Low-priced watches had an average tariff of 151.2 per cent, tobacco stems 458.3 per cent and some low-priced shoes 67 per cent.

"If this is free trade, then perhaps the federal income tax system is truly voluntary.

"Nowadays, we have paranoid protectionists who sound as if they check under their bed each night to see if there are any predatory foreigners. And dumping is what they see all around them. Our dumping law is so sweeping that the Commerce Department almost automatically convicts 95 per cent of foreign companies accused of dumping."

The great mistake many conservatives were making was to try to solve America's economic problems with trade barriers, said Mr Bovard. Politicians sounded mystified as to why the US was falling behind in some areas. The federal, state and local governments soaked up about 45 per cent of the US GNP; in Japan, government spending accounted for 28 per cent.

"Politicians first seize almost half the national wealth, and then blame foreigners because American productivity in many industries is not keeping up. Rather than erecting new trade barriers, the US should slash \$300bn-\$400bn from the federal deficit – and watch American productivity skyrocket," he said.

Hungary freed from Cocom curbs

HUNGARY has become the first east European country to be entirely freed from restrictions on imports of high technology goods from the west under the Co-ordinating Committee for Multilateral Export Controls (Cocom), the US government officially confirmed yesterday, writes Nicholas Denton from Budapest.

The relaxation of western controls is subject only to Budapest implementing further safeguards for transferred technology, which is understood to be a formality.

The decision on Hungary was taken in Paris last week by the Cocom group of western countries. Cocom was designed to prevent technology with military uses leaking to the former Soviet bloc, but its purpose has disintegrated along with its target.

A lifting of restrictions on Czechoslovakia and Poland is expected to follow.

The tangible impact in Hungary will be to allow the armed forces to purchase western military equipment.

However, defence ministry officials said the procurement budget was too tight for western defence firms to hold out much hope in the short term.

Most western high technology exports to Hungary were liberalised in 1990 and 1991. Digital telephone switching equipment was removed from the list of restricted goods in 1990, allowing Hungary to begin to close a technology gap estimated at 10 years and embark on vital modernisation.

Italy to boost Algerian gas

A PROJECT aimed at virtually doubling gas exports from Algeria to Italy, has been given the go-ahead with the approval by Sace, Italy's export credit guarantee agency, of credits worth \$127m (£70m), writes Francis Ghilès.

Delayed for months because of political uncertainty in Algeria, the approval of the first tranche of finance for the project means work can begin on the Trans-Med gas pipeline, to run from Algeria to Italy.

The decision follows last week's visit to Rome by Algeria's foreign minister, Mr Lakhdar Brahimi, and confirms that for Italy – Algeria's largest natural gas customer - it is back to business as usual.

The total cost of the project, which will increase the volume of natural gas exported to Italy from an annual figure of 14.2bn cu ft to 25bn cu ft, is estimated at \$5.8bn.

The pipeline will link Mazara del Vallo in Sicily to the distribution point near Bologna. Italy's state electricity company, Enel, will buy 6bn cu ft of the extra gas for the fast-growing electricity generation sector.

Tsongas closes on Clinton

A LATE surge by former Senator Paul Tsongas, pictured above at a weekend rally, has turned next week's New Hampshire Democratic primary race into a virtual dead-heat, Lionel Barber writes from Salem.

Polls published yesterday show Mr Tsongas within a hair's breadth of Governor Bill Clinton of Arkansas, the early favourite in New Hampshire.

A month ago Mr Tsongas, who comes from neighbouring Massachusetts, was written-off by the media which mocked his self-effacing humour and unglamorous character. These have now turned into a virtue as allegations of adultery and draft-dodging have hurt Mr Clinton.

According to weekend Boston Globe and USA Today/CNN/Gallup polls, Mr Tsongas has drawn within 3 points of Mr Clinton, whose support has slipped to just over 30 per cent. Senator Bob Kerrey, the Vietnam war hero from Nebraska, remains in third place, some 15 points behind Mr Tsongas. Mr Kerrey insisted yesterday the race in New Hampshire was fluid and voters remained uncommitted.

A complicating factor in the New Hampshire primary will be the degree of "write in" support for Governor Mario Cuomo of New York. Mr Cuomo is not an official candidate, but voters are allowed to write the name of a candidate of their choice on ballot papers.

Mr Tom Harkin, as the home state senator, was thought certain of victory in yesterday's Iowa Democratic caucuses.

Bush health care plans trouble insurers

By George Graham in Washington

PRESIDENT George Bush's plan to reform the US health care system is creating concern among what should be his most fervent supporters: health insurance companies.

Insurers have welcomed the broad outlines of the president's scheme, which would retain private insurance as the basic financing mechanism for US health care. But they are anxious over some details of the proposals, which could affect the way they conduct business.

The Bush plan aims to help most of the 35m Americans who currently have no health insurance by giving them tax credits. But the plan would also prevent companies which sell group health insurance plans from refusing to cover any employer group or employee on the basis of their health status.

In addition, the plan would restrict insurers' ability to vary the premiums they charge in line with their claims experience. In the longer term, the plan proposes setting up health risk pools in each state to compensate insurers who agree to cover individuals with poor health.

The administration claims these and other insurance market reforms could allow businesses with fewer than 20 employees to save at least 10.9 per cent on health coverage for their employees.

Some insurers worry, however, that this could turn into a state-administered welfare scheme – in fact, the kind of "socialised" system that Mr Bush complains would result from the alternative proposals of the Democratic opposition.

Insurers say that now about 3 per cent of the population could be defined as uninsurable on the basis of their past health problems. This percentage could grow, they warn, if companies are not allowed to attach waiting periods or other conditions to their coverage.

However, Mr Carl Schramm, president of the Health Insurance Association of America, a Washington-based trade association, has welcomed the broad outlines of the Bush proposals.

"We agree with the president that only a strengthened private/public health insurance partnership can deliver the health care Americans need, at a price they can afford to pay, while retaining the cutting-edge quality they have grown to expect," he said.

Unctad sees hope for world's poorest states

By Frances Williams in Geneva

THE economic outlook for the world's poorest countries is tinged with hope, even optimism, after years of gloom, according to the United Nations Conference on Trade and Development (Unctad).

In its latest annual report on the least developed countries (LDCs) published today, Unctad says the positive outlook reflects the relatively high growth rates achieved by some LDCs in recent years and, "above all", the changed international political and economic climate.

The prospects for the settlement of many long-standing wars and conflicts – affecting one in four LDCs since 1990 – are much brighter today, Unctad notes. The resulting peace dividend "will come in the form of a redirection of national efforts and resources away from military pursuits, the removal of the burden of hundreds of thousands of refugees on neighbouring countries, the repatriation of flight capital and skills, and improved conditions for agricultural production."

Other hopeful signs include widespread political reform and democratisation movements, and major changes in domestic economic policies to support viable long-term growth.

The report looks at the economic performance during the 1980s of 42 of the 47 countries classified by the UN as least-developed (with a per capita income of \$600 (£330) in 1987). Eleven managed to boost per capita GDP by at least 10 per cent, with overall GDP increasing by nearly 6 per cent a year in 1980-89, while six others registered positive but slower growth.

However, LDCs suffered from the world economic slowdown in 1990 and 1991, with negative or negligible per capita GDP growth. In Africa, real GDP growth turned negative in 1990, after a sharp fall in agricultural production.

In addition, Unctad notes, several LDCs such as Samoa and Bangladesh have recently been struck by natural disasters. Man-made disasters have proved equally devastating. In Afghanistan, Ethiopia, Liberia and Somalia, development has been halted by civil strife. Only 13 of the LDCs enjoyed basic peace and stability throughout the 1980s. LDCs are also home to almost 80 per cent of the world's 17m refugees, with the biggest concentration in the Horn of Africa.

The report calls on the industrialised world to boost aid flows to the poorest countries, to do more on debt relief and to give LDCs preferential trade treatment.

Argentina yields to US over missile

ARGENTINA'S air force yesterday formally transferred control of its Condor II missile project to a new civilian space agency, following US demands that it stop developing the missile for military purposes, writes John Barham in Buenos Aires.

Mr Rosendo Fraga, a military affairs specialist, said the move meant the Condor was no longer a secret military project, and the technology would fall under international safeguards.

The project was initiated in 1983 in collaboration with Egypt, and financed indirectly by Iraq with support from German companies. Argentina developed a propulsion system and in 1988 began work on a guidance mechanism.

In 1990 Argentine President Carlos Menem promised the US that the Condor project would be cancelled. Washington repeatedly pressed him to destroy the missile.

The air force is handing over control a week before Mr Dick Cheney, US defence secretary, makes a two-day visit.

Western governments fear the dispersal of Argentine technology and scientists could accelerate weapons proliferation. The US has made known its concern over the planned sale by Argentina to Iran of \$18m (£9.9m) worth of machine tools for work in the nuclear industry.

Breast implant fears recorded in 1971 papers

FURTHER evidence of long-term safety problems with silicone breast implants emerged yesterday when Dow Corning, the biggest US manufacturer of the device, released internal documents about the product dating back to 1971, writes Karen Zagor in New York.

Among the documents was a 1971 memo with details of an implant that ruptured four months after surgery, resulting in irritation.

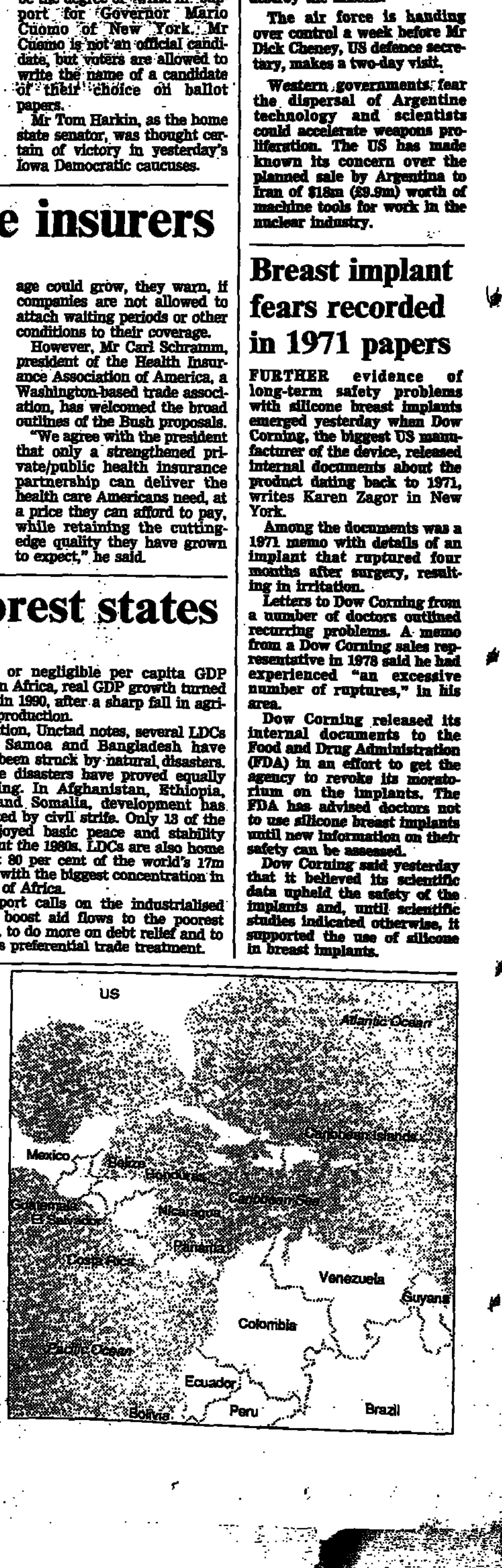
Letters to Dow Corning from a number of doctors outlined recurring problems. A memo from a Dow Corning sales representative in 1978 said he had experienced "an excessive number of ruptures," in his area.

Dow Corning released its internal documents to the Food and Drug Administration (FDA) in an effort to get the agency to revoke its moratorium on the implants. The FDA has advised doctors not to use silicone breast implants until new information on their safety can be assessed.

Dow Corning said yesterday that it believed its scientific data upheld the safety of the implants and, until scientific studies indicated otherwise, it supported the use of silicone in breast implants.

Caribbean finds itself in US trade deal slow lane

Islands and central America see Mexico overtake them in Washington's priorities, writes **Ian Walker**



MEXICO's free-trade negotiations with the US have sent a worried shiver down Caribbean spines.

But the foreign ministers of central America and of the Caricom bloc of English-speaking Caribbean states, meeting together for the first time at the end of last month in the Honduran city of San Pedro Sula, quietly sidelined a proposal by the host nation to look towards a Caribbean Free Trade Zone. The idea was that, with a population of 50m and a total gross national product of \$50bn, this would be a way to reach "critical mass" in economic activity and diplomatic clout.

Instead, they agreed to establish a Consultative Forum, inviting other Caribbean basin nations. The forum will concentrate on the defence of their privileged trading position with the US, enshrined since 1984 in the Caribbean Basin Initiative (CBI), which promotes "non-traditional" export production through duty-free access to the US market.

The problem faced by the Caribbean basin is a simple one: the Enterprise for the Americas Initiative – with the Mexican free-trade agreement as its centrepiece – has overtaken the CBI as the US trade policy flagship in the area.

The North American Free Trade Area (Nafta) is expected to give duty-free entry to the US for all the products included in the CBI. According to Mr Fafael Callejas, the Honduran president, this "raises the spectre of the Caribbean basin's relatively small, young and inexperienced industries being steam-rollered by the relatively large, well established and seasoned Mexican industries".

The Caribbean basin's response has been to attempt to hang on to the coat tails of any Mexican agreement, requesting that the CBI be expanded to incorporate the additional concessions ceded to Mexico.

But requests that this be included in any Nafta legislation have had short shrift from Ms Carla Hills, the US trade representative, who will have enough problems negotiating the Mexico agreement in Congress, without sending up smoke signals to the effect that the whole of the Caribbean basin would be covered by the legislation.

She has made it clear that, after Mexico, Chile is the next in line for a free trade agreement, with the Caribbean basin nowhere in sight.

At the same time, while the low-cost central American banana giants are avidly sizing up the prospects of a quota-free Europe next year, the small Windward Isles economies – dependent on European banana quotas for up to 60 per cent of their export revenues and with no hope of competing to defend the privileges enshrined in Lomé IV against the Latin onslaught – are unimpressed by a proposal for a 14 per cent tariff to replace the quota system, even though the tariff revenue would be used to compensate the losers of banana exports.

As a result, although the working papers of the Caribbean Basin Technical Advisory Group (set up last year to outline a regional integration strategy) identified the single European market as one of the key issues to be faced, the official communiqué from San Pedro Sula was silent on the issue.

The isthmus and the islands have little complementarity in their economic structures – as reflected in the almost complete absence of trade or direct transport links between central America and the Caribbean at present.

Nor is there complete harmony on economic policy. While both regions are attempting to revive integration processes that flagged in the eighties, the new central American scheme is both more advanced and more liberal than the Caricom equivalent. While external tariffs on the isthmus are to fall to a range of 5 to 20 per cent, Caricom is having difficulty persuading all its members to implement the new agreed maximum of 45 per cent.

INTERNATIONAL NEWS

Immigration drive may be harmed

Israel's growth stalls as more are out of work

By Hugh Carnegy in Jerusalem

A TREND of rising output and employment in Israel has stalled since late last year with worrying implications for the country's uphill struggle to absorb mass Jewish immigration from the former Soviet Union, according to the Manufacturers' Association.

Surveys of employment in 1991 and the performance expectations of industrial companies suggest that public sector expansion and a now flagging construction boom were mainly responsible for GDP growth of 5.2 per cent last year.

Since the last quarter, the domestic boom has slowed, with little sign of the export-led industrial expansion that economists say is needed for enough long-term growth to cope with immigration.

"Until now we have not produced enough jobs and we have not produced them in the right places," Mr Chezi Gutman, head of the Manufacturers Association's economics and foreign trade division, said yesterday. "We still have the same problems of one or two years ago. Exports are the solution but what happened in the industrialised world did not help us to produce the exports and the right jobs."

The arrival of some 400,000 immigrants in the last two years, the vast majority from former Soviet territories, has pushed unemployment above 10 per cent, which in turn is blamed for a recent slump in new immigrant arrivals.

Although a reduced influx would give the economy a chance to catch up, that is politically unacceptable given Israel's commitment to encourage all Jews to immigrate – hence the government's anxiety to win $10bn (£5.5bn) in US loan guarantees to help generate investment and job creation.

Manufacturers' Association figures show that 69,000 jobs were created in the first nine months of 1991, compared with 34,000 in all of 1990. But more than 30,000 were in the public sector – mainly in health, welfare and education – and more than 18,000 were in construction where a government-fuelled building surge is now declining. Industry accounted for 14,000.

The association's latest survey of 133 industrial companies revealed that marginally more experienced a decline in domestic orders rather than a rise over the last months of 1991. About 37 per cent expected a fall in sales in the current quarter, compared with 34 per cent forecasting an increase. More companies predicted workforce cuts than those expecting to employ more.

Mr Gutman said he expected domestic industrial growth of more than 8 per cent last year to be halved in 1992. A brighter outlook emerged for exports, which he said could grow by up to 4 per cent after a decline in 1991. But that is still well short of the government target of double-digit export growth needed to cope with the import costs and employment demands of immigration.

Japanese voters turn up the heat on Miyazawa

Prime minister comes under growing pressure to restore party's image, or resign. Stefan Wagstyl reports

JAPAN'S RULING Liberal Democratic party faces its most serious political difficulties since losing two prime ministers in the space of a few weeks at the height of the 1989 Recruit bribery affair.

The party's failure on Sunday to win a by-election in Nara, a long-time LDP stronghold in western Japan, has highlighted voters' anger at the LDP's recent performance, particularly its involvement in a new spate of financial scandals. Mr Kiichi Miyazawa, the prime minister, who took office only last October, is under growing pressure to restore the party's tarnished image – or resign.

Mr Miyazawa's immediate challenge is to break a deadlock in the Diet over the passage of the government budget bill for 1992-93 by the end of March. Opposition parties are demanding that aspects of the recent financial scandals should be examined first.

While each side is primarily engaged in securing domestic political advantage, the impasse has international implications: The weaker Mr Miyazawa becomes, the more difficult it will be for the government to secure parliamentary approval for controversial plans to send Japanese servicemen on United Nations peace-keeping missions or for the possible liberalisation of the rice market – a key issue at the Uruguay Round trade talks.

As Mr Masayuki Fukuoka, a political commentator, says: "Mr Miyazawa's position is getting more difficult because he has shown no leadership either in the Diet or in this election."

Even though the LDP had been braced for defeat in Sunday's poll in Nara, the verdict came as a shock. The contest was for a seat in the upper house, left vacant by the death of the incumbent, a member of Rengo Sangiin, the political arm of Rengo, Japan's trade union confederation. He had won his seat only in 1989 the unusual circumstances of the Recruit affair – before that for more than 30 years the seat had been held by LDP-inclined conservatives and the LDP had hoped to win it back.

The result showed that even in Nara, the ancient capital of Japan, modern concerns about political ethics are arousing strong passions among voters. Mr Yukihisa Yoshida, the winning candidate, also from Rengo Sangiin, ran on an anti-corruption platform. He secured 244,930 votes, against 178,002 for the LDP's candidate. LDP officials in Tokyo pledged after the result to renew efforts at political reform.

Kiichi Miyazawa: a hard campaign to come in parliament

Three scandals are now at the centre of voters' minds. First, the Kyowa affair, in which Kyowa, a steel frame-maker and property company, allegedly bribed Mr Fumio Abe, a former minister, with Y80m (£360,000) in return for leaked planning information. Mr Abe was, until his resignation last December, a close aide to Mr Miyazawa. Other Miyazawa supporters are also known to have accepted money in the form of political donations from Kyowa.

Next, the opposition parties are trying to revive interest in Mr Miyazawa's own role in the Recruit scandal. Recruit, a recruitment company, distributed cut-price shares to a large number of influential people, including Mr Miyazawa. Mr Miyazawa, who was finance minister when the scandal erupted in 1988, resigned from his post. The opposition parties want to embarrass him and the LDP further by raking over the coals.

Finally, there is the Sagawa Kyubin affair, still bubbling just below the surface but likely to explode any day into a full-scale scandal. At the centre is Sagawa Kyubin, a road transport company, which is under investigation by the Tokyo District Public Prosecutor's office for alleged links with gangsters and illegal financial transactions.

The prosecutor's office is examining the role of Tokyo Sagawa Kyubin, the group's biggest subsidiary, in Y530bn worth of allegedly questionable transactions. Tokyo Sagawa apparently acted as an intermediary between banks and 84 borrowers, individuals and corporations – sometimes guaranteeing borrowings on behalf of the ultimate borrowers and sometimes diverting funds meant for its own use.

While this is not illegal in itself, there is considerable suspicion about Tokyo Sagawa Kyubin's motives. The public prosecutor's office has alleged that some Y100bn of the funds were diverted to *yakuza* or gangster groups. Chief among them was Inagawakai, Japan's second largest criminal organisation, which was led until his death last year by Mr Susumu Ishii, a boss known for his commercial acumen.

The public prosecutor's office also believes that companies in the Sagawa Kyubin group made donations to politicians. Such donations are legal if they are properly accounted for and if nothing was done in return for the money. But Sagawa Kyubin's donations are thought to total billions of yen – a figure which many Japanese regard as suspiciously large.

The trouble for Mr Miyazawa is that even if he survives the attacks over the scandal, the party has already lost much of the credibility it regained in the years 1989-91, under the leadership of Mr Toshiki Kaifu, Mr Miyazawa's predecessor. Mr Kaifu failed in his most important goal – political reform – but he managed to create a clean political aura which the voters welcomed.

The damage done should be kept in perspective. The LDP's lock on the Diet's lower house, where most power resides, remains unchallenged. Lower house elections are dominated by an MP's personal standing in a constituency. National issues, even scandals, are usually of secondary concern.

But the LDP lost its majority in the upper house in 1989. It also faces the prospect of losing further ground in a by-election next month and in an election due in July to half the seats in the upper house.

Legally, the LDP can use its lower house majority to force most kinds of legislation through the upper house. But under Japanese political conventions, the ruling party rarely behaves in this way. Instead it seeks compromises with the opposition. These compromises will now be even more difficult to achieve.

India mines Kashmir ceasefire line to stop Moslem militants

INDIAN troops have mined the ceasefire line in Kashmir and the Pakistani army yesterday blocked roads on its side of the disputed border in an attempt to prevent Moslem militants crossing into Indian-held Kashmir, K K Sharma reports from New Delhi and Reuter reports from Muzaffarabad, Pakistan.

The Jammu-Kashmir Liberation Front (JKLF) said thousands of its unarmed supporters would cross the United Nations-monitored ceasefire line from Pakistan today to express solidarity with Kashmiris fighting to secede from India.

Pakistani paramilitary troops have set off landslides, erected barricades and dismantled bridges to try to stop the militants reaching the Indian side. At least eight people were injured and 40 arrested yesterday in scuffles with police who stopped caravans of buses. The JKLF leader, Mr Amanullah Khan – whose group is unpopular in Pakistan because it also advocates independence for the one-third of Kashmir ruled by Islamabad – told a rally of 3,000 supporters that he would die rather than abandon the march. Kashmir has been divided by the ceasefire line since the 1971 India-Pakistan war. Both countries claim the whole state over which they have twice gone to war.

In India, the government placed border troops on high alert and warned that marchers who violate the ceasefire line would be shot. Land mines were planted on Saturday along a 280km strip of border land and Mr B.S. Bedi, director-general of police, said a curfew was in force in three districts of the Kashmir Valley.

Indian ministers have warned that any crossing would "invite decisive retaliation." The Indian government appears unconvinced by Pakistan's pledge to stop the crossing.

NEWS IN BRIEF

Eight Algerian police killed after clampdown

EIGHT Algerian policemen were ambushed and killed yesterday, the first full day of a state of emergency imposed by the military-backed rulers to crush Moslem fundamentalist agitation for a resumption of the electoral process, writes Francis Ghilès.

The killings were reported as the head of Algeria's five-man presidency, Mr Mohammed Boudiaf, told the nation last night that he had imposed the 12-month emergency to fight fundamentalism as embodied in the Islamic Salvation Front (FIS). Speaking in a vernacular Arabic all his compatriots would have understood well, he argued against any dialogue with the FIS. "When I stretched out my hand, they sent only a threatening letter."

His broadcast came at the end of a day that witnessed the killing of six policemen in an ambush by fundamentalist gunmen in the Casbah, the ancient heart of the capital. Two other policemen were stabbed to death yesterday by the companions of a man they had arrested in Bordj Menaiel, 40km east of Algiers.

See Feature, 'Limits of Repression'

Shell to study Oman prospects

Oman and Shell are to make a full appraisal of a gas and condensate project in the sultanate capable of producing 5m tonnes a year, David Lascelles reports. The $9bn (£4.92bn) project has already been established as potentially viable as a result of a study by Shell. If it goes ahead it will consist of an upstream venture comprising production and development, and a downstream venture with gas liquefaction, shipping and marketing.

Beijing in Indo-China peace role

Qian Qichen, the Chinese foreign minister, sets off today on a tour of Cambodia and Vietnam that highlights Beijing's new role as peacemaker and trading power in a war-shattered region, Reuter reports from Beijing. He first flies to Cambodia for a visit delayed since December after a mob in Phnom Penh almost lynched leaders of the Chinese-backed Khmer Rouge.

Bond probe finds 'breaches of law'

Australia's corporate watchdog, the Australian Securities Commission, said yesterday its two-year investigation into Mr Alan Bond's former empire, Bond Corporation Holdings, had uncovered breaches of the law, Reuter reports from Sydney.

Philippines switches to raising finance at home

After years of debt-driven growth, Manila is set to give up dependence on foreign funds, writes Jose Galang

THE Philippines, after years of foreign debt-driven economic growth that had anyway faltered last year, appears ready to shift dependence to its own financial resources.

A package of revenue-enhancement measures passed by Congress last week, just before it closed its final session under the administration of President Corazon Aquino, puts the burden of funding the government's fiscal deficit this year on a range of domestic sources.

While there was much criticism in the past of foreign borrowings, the level of debt has risen since Mrs Aquino assumed the presidency in 1986. She enjoyed high popularity among the country's principal economic partners, in particular immediately after the 1986 uprising that ousted the authoritarian regime of former president Ferdinand Marcos and swept her to power.

That support has waned because her government has failed to turn foreign money into growth and fears of instability caused by several coup attempts.

The Sultan of Brunei is negotiating to buy 10 per cent of the equity of Philippine Airlines (PAL), Reuter reports from Manila. The Philippine government said the Sultan had reached agreement with the committee on privatisation last week. A 67 per cent stake in PAL was awarded to a consortium led by AB Capital and Investment Corporation at a January 30 auction.

The need to reduce reliance on foreign assistance became more pronounced after the Senate's rejection last September of a new dollar-earning naval base agreement with the US. In addition, early this month, Washington proposed a much-reduced aid package for Manila for 1993.

The revenue-enhancement bills passed last week enabled the country's debt negotiators to seek a resumption in the International Monetary Fund's support programme for the Philippines economy. IMF support is vital for Manila's relations with the international financial community.

The government expects sufficient revenues to fill a 1992 budget gap of nearly 30bn pesos ($1.2bn) or 2.7 per cent of gross national product. The government also should be able at last to lift by June 30 the 5 per cent import levy which has pestered private business since January 1991.

The import levy was imposed after the failure of Congress to pass new tax bills then proposed by the Aquino administration. Set at 9 per cent, the levy has been singled out as the biggest disincentive to investments over the past year.

The Philippines has a tax collection efficiency rate of only about 14 per cent of GNP. Income earners are often loath to pay taxes because many suspect their payments may end up lining the pockets of corrupt officials. The government's collection agencies, the Bureau of Internal Revenue and Bureau of Customs, are widely perceived as the most corrupt in the bureaucracy even if guilt has not been established in courts.

The newly approved measures either raise rates on existing taxes or put some teeth into existing mechanisms. One law creates special tax courts that are designed to speed up tax cases. One reason taxpayers are emboldened to violate tax laws is the excruciatingly long period it usually takes the judicial system to settle such cases. The new courts will hear only tax cases.

Another measure sets up a big-taxpayers unit that will "closely monitor a few hundred corporations which account for a very large percentage of the BIR's revenue collections". Big corporations are frequently accused of paying off certain BIR personnel to reduce tax assessments.

Penalties on tax evasion are also to be raised under another law. Another creates new posts in the internal-revenue and customs bureaux which will be directly involved in enhancing collections. These staff will get salaries much higher than those in the normal payroll to reduce corruption.

Not passed by the Senate, however, was a bill proposing refinements in the value-added tax system. The refinements involve an expansion in the VAT's scope to include the services sector and property leasing. It was the feeling of many lawmakers, most of whom are seeking re-election in the May elections, that the bill in effect creates new taxes, and therefore was too hot to handle.

Passed earlier by the two chambers of Congress and awaiting the president's signature are separate measures raising forestry charges, a simplified net income tax system that plugs the traditional loopholes "through which tax revenues from high-income professionals and business establishments are drained away", and a withholding tax on purely compensation income.

Mr Jesus Estanislao, the finance secretary, campaigned hard for these measures. He said the outcome was not bad given that this was an election year.

The year's budget represents a nominal increase of some 20 per cent in current spending, or nearly 3 per cent in real terms. Mr Estanislao said the budget did not provide for huge, election-related allocations, which had characterised most budgets in past election years.

In that respect alone, the 1992 budget is already a rarity.

Public pay outstrips industry

By David Goodhart, Peter Norman and Andrew Adonis

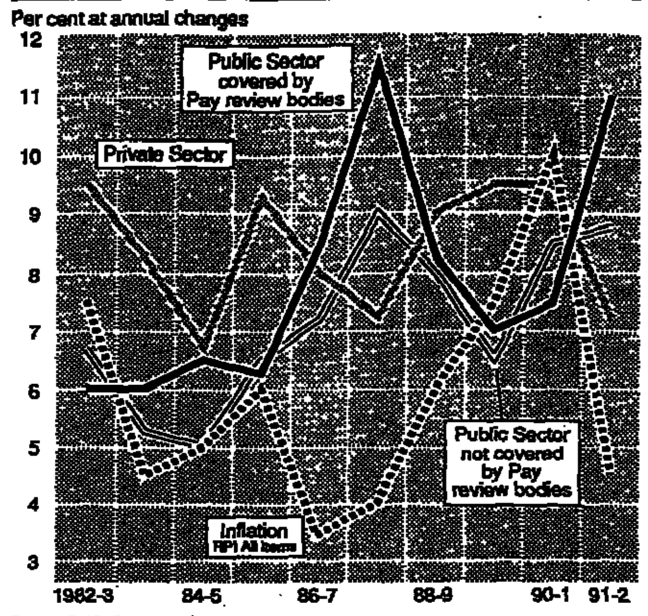
PAY rises in the UK public sector are running more than 30 per cent higher than those in manufacturing industry, following government decisions yesterday to grant pay increases to 1.5m public employees at well above the rate of inflation.

The government accepted in full yesterday's recommendations by the review body for raising the pay of the armed forces, nurses, doctors, teachers and professions allied to medicine by between 5.5 per cent and 8.5 per cent. The increases will average nearly 6.5 per cent, and take effect from from April 1, ahead of the widely expected general election date of April 9.

At the same time, the Confederation of British Industry reported that pay settlements in manufacturing industry fell to their lowest level since it began collecting such data in 1980. Figures from the CBI pay data bank showed that pay settlements in manufacturing averaged only 4.1 per cent in the final quarter of last year, down on the 5.1 per cent recorded in last year's third quarter and under half the 9 per cent average pay increases recorded in the final quarter of 1990.

The government's decision to award pay rises at well above the present 4.5 per cent rate of inflation drew strong criticism from some opposition politicians. It was denounced as a "cynical volte-face" by Mr Alex Carlile, the Liberal Democrats party's economics spokesman while Mr Jack Straw, Labour's education spokesman, pointed out that the last time teachers received a significant real pay increase "was just before the 1987 election."

Pay and price increases



Source: Public Finance Foundation 1992

The government responded by saying that these were the lowest awards for many years and covered groups which had not done well in the past. However, there was no significant move in the direction of performance related pay for any of the groups. But performance pay, favoured by the government, will be a feature of next year's awards.

Among the various professions, general dental practitioners emerged with the highest pay increases: they gained an 8.5 per cent rise to reflect recruitment difficulties.

But with a 7.5 per cent across-the-board increase in all scales from April, Britain's 400,000 teachers did better than any other public sector group in the pay review awards. Their increase is on top of the 9.5 per cent awarded to teachers last year. The total value of the teachers' award is 7.8 per cent, which will take the average classroom teacher's salary to £18,200.

Mr Kenneth Clarke, education secretary, admitted that yesterday's award was "greater than the government had contemplated". But he defended the government's decision to give teachers review body status as "an essential step in restoring the status of the teaching profession".

The armed forces will receive an average increase of 6 per cent; doctors 5 per cent while nurses will get rises of between 5.6 per cent and 6 per cent based on grading. The spread for the professions allied to medicine is 6.2 per cent to 6.5 per cent.

The Top Salaries review body was not included in yesterday's announcement. The government agreed to the request from the review body to delay its report until mid-year, so it would not be affected by the election.

It is expected to recommend large catch-up rises for top government officials, judges and generals. This could mean further upward pressure on public sector pay as senior managers not covered by the top salaries pay review body catch up.

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BRITAIN IN BRIEF

Government orders troops into Ulster

Several hundred more troops were have been sent to Northern Ireland, bringing the British army presence in Ulster to its highest level since 1979.

About 500 soldiers from 2nd Battalion The Queen's Regiment were ordered to the province in response to calls for stronger security to deal with the recent upsurge in sectarian killings.

Mr John Major will discuss Northern Ireland's security situation with nationalist and Unionist leaders after one of the most violent months of terrorist violence since the early 1970s.

Yuasa-shoji buys importer

Yuasa-shoji, one of Japan's oldest trading houses, has bought Warwick Machine Tools, a UK importer, as a beachhead for expansion into Europe.

The deal, for which terms were not disclosed, will lead in the long-term to Warwick becoming the Japanese company's European technical centre. This will allow Warwick to expand its engineering and technical support facilities to service other European distributors of the machine tools supplied by Yuasa.

Lloyd's Names 'close to deal'

A group of Lloyd's Names – the individuals whose capital supports underwriting at the insurance market – are close to winning a clear victory in the out-of-court settlement being negotiated in the Outhwaite case.

Details of the settlement between 987 Names, who were members of Outhwaite syndicate 317/661 in 1982, and 81 Lloyd's agents, including RHM Outhwaite Underwriting, will be announced this morning.

Names are expected to win more than £100m from the settlement which will be financed by errors and omissions insurers, who cover agents for legal awards for negligence. Reports that a final settlement had been reached on Sunday night were dismissed as "premature" by sources close to the Names, who said negotiations were continuing.

Cider-makers fight EC plan

Britain's cider makers expect the European Parliament to reject EC proposals for taxing cider on the same basis as wine. Such a move would double the price of a pint of cider in the UK.

The cider industry, with the support of the UK Treasury and Customs and Excise, has been campaigning vigorously against the proposals for harmonisation of EC excise duties made by the European Commission. Cider has been one of the most buoyant sectors of the drinks market in the UK over the past few years. Boosted by substantial advertising campaigns, sales have grown to more than £600m a year.

Royal stamps get new image

Queen Elizabeth II is set for a change of image. On new stamps to be issued next month, she will be represented by a profile which switches colour from gold to green using a revolutionary ink designed to frustrate forgers.

The printing method will be used on high-value stamps ranging from £1 to £5.

The effect is similar to the changing hologram images on credit and cheque guarantee cards. But unlike the plastic cards, the Royal Mail's initiative uses a special ink, which

has previously been used only on special documents and bank notes.

Housing ignored in forecasts

The Treasury has admitted that its forecasting techniques have failed to take into account the extent to which the depression in the housing market has influenced the seriousness of the recession.

The move has raised expectations among some private-sector economists that it might be considering a boost to the market, possibly as early as in the Budget on March 10, in an effort to strengthen the general economic recovery.

The admission has taken the form of a series of detailed changes to the mathematical equations in the Treasury's computer model of how the economy functions. The model acts as a base for the department's economic forecasts, published twice a year.

Rolls-Royce cuts 330 jobs

Rolls-Royce is to cut 330 jobs at its aero-engine plant in Hillington, near Glasgow, because of "difficult trading conditions", the company said. The plant currently employs 2,360.

Private plan for M-way services

Private sector developers may be allowed to build motorway service areas wherever they can get planning permission under deregulation proposals published by the Department of Transport.

Mr Malcolm Rifkind, transport secretary, said the proposals would fill gaps in the present provision and give motorists more choice. Mr John Prescott, Labour transport spokesman, called them "a licence for developers to exploit the green belt".

Aviation chief warns of higher air fares

AIR FARES in Europe will rise unless countries introduce a coherent airline merger and acquisition policy, according to Mr Christopher Chataway, chairman of Britain's Civil Aviation Authority (CAA), writes Paul Betts.

Without a vigorous European mergers and competition policy there is "every prospect that fares will rise and consumer choice will shrink", he said.

Mr Chataway's warning comes as re-structuring gathers pace in the European airline industry. Negotiations on a link-up between British Airways and KLM Royal Dutch Airlines are at an advanced stage, while Air France expects to complete a strategic partnership with Sabena which will involve the French airline taking a minority stake in the Belgian carrier.

While Mr Chataway does not want to prevent European airlines expanding to compete against US and Asian airlines, he also wants mechanisms to safeguard smaller European carriers and thereby stimulate competition and lower fares.

The CAA chairman said small carriers should be protected by conditions on mergers planned by two or more national flag carriers. These would include the surrender of landing times, or "slots", to another carrier or major routes where there would be otherwise little or no competition.

He also said the EC's competition directorate would require considerable strengthening and suggested an independent non-political European Competition Agency should be set up to take decisions purely on competition grounds.

Scots power stations to store spent nuclear fuel

By James Buxton, Scottish Correspondent

SCOTTISH Nuclear (SNL), the state-owned company that operates Scotland's two nuclear power stations, is to store spent nuclear fuel at its plants instead of having it reprocessed by British Nuclear Fuels (BNFL).

This break with established practice in the UK nuclear industry should save SNL £40m a year when fully onstream and will mean a substantial reduction in BNFL's reprocessing business with SNL.

However, SNL is committed to BNFL reprocessing at least 330 tonnes of spent fuel at Sellafield, Cumbria, in addition to the quantity already contracted for.

SNL and BNFL said yesterday they had reached agreement in principle on future contracts covering the next 15 years. The contracts, backdated to April 1989, will be worth £2.7bn and will be fixed-price instead of cost-plus as in the past.

They cover supply of fuel to stations at Torness, East Lothian, and Hunterston, Ayshire; reprocessing of fuel

from SNL's magnox station at Hunterston, now being decommissioned; treatment and storage of radioactive waste; and decommissioning of associated fuel-cycle facilities.

Mr James Hann, SNL's chairman, has argued since the company was created in 1990 out of the former South of Scotland Electricity Board that BNFL charged too much for reprocessing and that reprocessing was unnecessary. The uranium and plutonium it produced was not needed.

Now SNL is to develop dry fuel stores at its advanced gas-cooled plants, first at Torness and then at Hunterston. Spent fuel will be stored for at least 50 years after which it might be reprocessed or transferred to a nuclear repository.

The initial stage of each store will cost £15m. SNL will in due course apply for planning permission and hopes to begin construction of the Torness store in 1993, to open two years later.

BNFL, which is completing its £5bn thermal oxide reprocessing plant (Thorp) at Sellafield, is already contracted to reprocess about 600 tonnes of spent fuel from SNL, most of which is in its hands. The extra 330 tonnes covers the period from 1989 to the completion of the new stores.

Mr Hann said: "These have been particularly tough negotiations over months."

Sir Christopher Harding, chairman of BNFL, said the agreement was "a radical change in our commercial relationship," and there were differences of view between BNFL and SNL on spent fuel strategy. But the deal was a good one for BNFL.

Election focus moves to health policy

A LABOUR challenge to ministers to end tax relief on private health care and spend the saving on the state-run National Health Service (NHS), and a government announcement of a record drop in long-term hospital waiting lists, were at the centre of pre-election campaigning in the UK yesterday, writes Alison Smith.

As both main parties turned their attention to health policy, Mr Robin Cook, the opposition health spokesman, promised that a Labour government would spend the £50m saved from ending the private health care tax relief on cancer patients, providing additional medical posts and new equipment.

Labour would use the money to "end the disgrace that has left Britain with fewer cancer specialists than other European countries, and older cancer equipment than some Third World countries," he pledged.

Mr William Waldegrave, the health secretary, told a conference of health authority chairman and managers that in the three months to December the number of patients waiting more than two years for an operation fell by 13 822 – the largest quarterly fall recorded.

He said £39m would be spent on waiting lists this year.

UK NEWS

Energy minister seeks coal deals before election

By Juliet Sychrava

MR JOHN Wakeham, the energy secretary, has been lobbying private electricity companies in an attempt to win contracts for British Coal and to achieve lower electricity prices before the election.

His intervention appears to contradict earlier assurances that the government would play no role in negotiations between British Coal and the electricity companies.

Senior executives of regional companies say Mr Wakeham asked them at a recent meeting to consider signing contracts to buy coal-fired electricity from National Power and PowerGen, the two generators. This would put pressure on the generators to agree a deal to buy coal from British Coal, paving the way for the privatisation of the company.

Mr Wakeham also wanted the regional companies, who buy power from the generators and sell it to customers, to press the generators to seek low prices on their British Coal contracts. This would allow him to announce lower prices for electricity consumers before the election.

He is understood to have rejected regional companies' complaints that they could not keep within the formula which sets their price to consumers.

"Wakeham's got it into his head he might just get a deal before the election," the commercial director of one regional electricity company said yesterday.

So far, talks between British Coal and its direct customers, National Power and PowerGen, have made little progress. This, some regional companies believe, is the reason Mr Wakeham has appealed to them.

The regional companies, however, said they did not want to sign uncompetitive coal contracts especially as the regulatory regime obliges them to buy power "economically".

In particular, the regional companies pointed out that any coal deals they sign will have to compete with deals many have signed to buy power from independent gas-fired power stations.

They are also reluctant to sign contracts they may not need if their market share shrinks when competition intensifies.

Repayment figures show consumers still cautious

By Emma Tucker, Economics Staff

CAUTIOUS BRITISH consumers made the biggest monthly net repayment of debt since 1976 in December, a further sign that they are not yet ready to lead the economy out of recession.

Consumers paid back more than they borrowed for the fifth successive month, making a £196m net repayment in December. November's net repayment was £34m.

Over the entire year outstanding consumer credit from finance houses, building societies and on bank credit cards that are part of the Visa or Mastercard system grew by only £370m compared with more than £3bn in 1990 and £2.9bn in 1989.

A broader measure of outstanding consumer-type debt, which includes credit agreements granted to mainly small businesses, showed borrowers paying back a net £486m over the year compared with net borrowings of £4.5bn in 1989 and £3bn in 1990.

According to the seasonally-adjusted figures from the Central Statistical Office the amount of new credit advanced to consumers in December was £4.1bn, an increase on November when the amount was £3.7bn. However, the total declined by 2 per cent to £11.8bn in the last quarter of 1991 compared with the previous three-month period.

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Peter Clowes found guilty on 18 counts of theft and fraud

By John Mason and Neil Buckley.

MR PETER Clowes, the man behind the most spectacular UK investment scandal of the 1980s, was yesterday found guilty on 18 counts of theft and fraud, three and a half years after the £150m collapse of his investment company, Barlow Clowes.

He was led from court in handcuffs and detained in prison overnight following the guilty verdicts returned by the jury. He was cleared of a single charge of conspiracy to defraud under the Prevention of Fraud (Investments) Act.

Mr Peter Naylor, a computer consultant accused in court of being Mr Clowes' "lieutenant" was found guilty on one count of theft, but cleared of one charge of conspiracy to defraud and three other theft charges. He was also detained in custody overnight.

Two other business associates of Mr Clowes – Mr Guy Cramer and Mr Christopher Newman – were both acquitted of all charges against them.

Over the course of the seven month trial, the jury heard that more than £113m had been "milked" from the funds of mainly elderly clients who had been led to believe they were investing in secure gilt-edged stock.

Instead much of the money was spent by Mr Clowes on corporate raiding and a luxurious lifestyle which included the purchase of a yacht, executive jet and French château.

Much of the evidence heard over 108 days was highly complex and related to the detailed of the money laundering operations set up by Mr Clowes.

Mr Clowes sat stony-faced as the verdicts were returned, but his wife Pamela shook her head in disbelief and his daughter ran from the courtroom in tears.

Mrs Victoria Naylor also struggled to control her emotions as the single guilty verdict against her husband was returned. Afterwards, she insisted he was innocent of all charges against him.

As the last of the not guilty verdicts was read out against Mr Cramer, he gave a thumbs-up to his wife and later shook hands with Mr Newman as he, too, was acquitted on all charges.

After the verdicts were delivered, Mr Cramer criticised the prosecution brought against him by the Serious Fraud Office. He had been tried on a "guilt by association" basis, he said. Outside the court, Mr Newman, said he was "delighted that the ordeal of the last three years is now over".

The good life that cost investors their life savings

John Mason and Richard Waters on the Barlow Clowes fraud and its impact on government policy

THE collapse of Barlow Clowes was a landmark for the UK investment world of the 1980s.

While insider trading and stock market manipulation had become known as the fashionable ills of the age, Peter Clowes' little-known investment management business from the North West of England was busy perpetrating a more old-fashioned form of financial wrongdoing: theft.

Investors' money was used to provide Mr Clowes with an extravagant life, according to the prosecution case mounted by the Serious Fraud Office. New investments were taken in and used to pay "returns" to existing investors in a constant recycling of money. It worked as long as new cash was available to feed the machine – a classic "ponzi" scheme, one of the oldest forms of investment fraud.

The case proved a landmark for the UK's system of financial regulation, for the public's confidence in investment firms, and, above all, for the strongly non-interventionist government of Mrs Thatcher.

Trevor Humphries

End of the life of Riley: Peter Clowes walks to court yesterday, where he was convicted of a massive fraud

In spite of strong denials of any responsibility by the Department of Trade and Industry (DTI), which had been responsible for regulating the firm for many years, the government bowed to an unprecedented campaign mounted by Barlow Clowes' 11,000, mainly elderly investors. The announcement of the pay-out coincided with the publication of a report by the ombudsman, which criticised the DTI on five counts of maladministration regarding the licensing and regulation of Barlow Clowes.

The case has so far cost British taxpayers more than £150m. In its attempts to recover some of this money, the DTI has already issued more than 800 writs. But so far, just £550,000 has been recovered, after a successful action against an adviser, ACD Miller.

At the start of the trial last summer, the jury was told that the Barlow Clowes fraud was massive, flagrant and "as old as the hills" in style.

Investors were persuaded that their money would be securely invested in government gilts, when in reality it was spent on "living the life of Riley".

Showing the jurors a photograph of Mr Peter Clowes's yacht – formerly owned by Christina Onassis – he told them: "If you look carefully you will see the only gilt-edged object bought with investors' money by Mr Clowes. Can you guess what it is? The taps".

The jury was presented with a detailed account of how the fraud operated. The company's brochures stated that clients' money would be invested in gilt-edged stock – a crucial selling point for those investing their life savings.

However, contracts contained clauses authorising non-gilts investments which, Mr Clowes was to maintain, enabled his company to adopt an "alternative investment strategy". This strategy, far from being based on gilts, saw Barlow Clowes operating as a mini merchant bank and funding take-over bids for public and private companies it wanted to control.

Between 1983 and 1987 more than £113m of the funds invested in the off-shore companies and partnerships in the Barlow Clowes fund management empire were milked from investors, Mr Suckling said.

When, at the end of 1987, Department of Trade and Industry inspectors began investigating, strenuous efforts were made to throw them off the track.

When the firm collapsed in May 1988 the true position emerged. More than £225m had been invested by clients and a £115m liability to them remained. Only £1.9m was found invested in gilts.

Mr Clowes had been "the instigator and driving force" behind the fraud, the prosecution said. Mr Peter Naylor, a computer consultant, had been his "lieutenant" in helping milk investors' funds.

Over the course of the 109-day trial, 113 witnesses gave evidence. One, who had invested £440,000, said she had done so because she understood that her savings would be "as safe as the Bank of England".

Financial advisers who had recommended Barlow Clowes to clients told how Mr Clowes had given reassurances over the clause authorising funds not invested in gilts to be placed elsewhere. Former employees of the company told how their concerns over its operations had grown and led them to resign.

Mr Clowes admitted very few gilts had been bought. He agreed that although the group billed itself as a gilts specialist it in fact acted as a mini merchant bank. However, he repeatedly denied his dealings had been dishonest. The clauses in his company's contracts allowing other investments meant his conduct has been "absolutely honest", he insisted.

The complex arrangements for handling investors' funds were not a laundering operation, as the prosecution suggested, but a means of maintaining clients' confidentiality, he told the court.

Summing up, Mr Justice Phillips ruled the Barlow Clowes contract with investors did not permit the alternative investment strategy adopted by Mr Clowes. This did not necessarily mean, however, that the defendants' conduct had been dishonest or criminal. That was for the jury to decide, he said.

TECHNOLOGY

Early viewing of the finished work

By Andrew Baxter

All the best innovations in modern manufacturing can be found in the UK somewhere. The trouble is that they are not happening as frequently as they should be.

Round the corner from Gloucester's renovated wharfside is mainland Britain's only rapid prototyping bureau. Formation Engineering Services will convert an engineering drawing or 2D Cad (computer-aided design) file into a 3D file and then, through stereolithography, produce a "hard copy" in hours or days that would have taken weeks or even months by conventional methods such as pattern-making.

Last week some 280 engineers from British manufacturing in the south-west and the Midlands had a chance to view the process. The visit was part of a two-day workshop on rapid prototyping, sponsored by the Department of Trade and Industry South-West, supported by the Institute of Directors and organised by the Computer Graphics Suppliers Management Association.

For Doug Ponsford of DTI South-West, the aim of the Cheltenham workshop was simple. "What I want to do is wake people up, by saying 'Here it is, please have a look.' This could have more effect on British industry than anything I have seen in a decade."

Rapid prototyping is important because, like Cad, it promises to be a key element in the spread of concurrent or simultaneous engineering, complementing the interdisciplinary teamwork method of accelerating product development times.

Design engineers are used to working in 2D but their customers, in-house or otherwise, usually need to see and hold the real thing to check whether it fits their requirements. If it's wrong, a revised version can be produced through rapid prototyping with little time wasted, and potential tooling expenses saved.

There are about 300 rapid prototyping machines in the world, all but a handful produced by 3D Systems of California. Two other less established systems were also represented at Cheltenham: the Sollder "instant slice curing" process from Israeli-US manufacturer Cubital, and laminated object manufacturing from Helisys of California.

The systems share one basic principle – conversion of a 3D Cad file into an STL (stereolithographic) file which reduces the design to thousands of layers.

There are just six or seven of 3D's machines in the UK, but Ponsford says there is no reason for Britain's manufacturers to hold back just because the rapid prototyping industry is in its infancy. "If big companies are scared, they can get their feet wet by using a bureau."

The systems cost from about £100,000 to £400,000, and prices are falling. Even so, the expense will be too much for some of the smaller companies which attended the workshop.

'These systems could have more effect on British industry than anything in a decade'

Keith Howell, product manager at Umak, the Birmingham-based agency for Helisys, said 90 per cent of inquiries at the workshop concerned bureau use – a UK bureau for Helisys will be open by the end of May.

One of the handful of UK companies with in-house rapid prototyping is Rover. Graham Tromans, principal engineer for stereolithography, recalls turning an STL file of a thermostat housing into a prototype within a day – after leaving the 3D machine on overnight. Conventional prototype development had already taken eight months, with a further nine weeks forecast.

Big companies, clearly, can get their money back fast. Roger Holden, applications engineer at Sherbrook Automotive, Lichfield-based agents for Cubital, says its machine will pay for itself in a year if 500 prototypes are produced.

The three producers argue fiercely about the relative merits of their systems. None is perfect, and each has its strong points. But at least they all agreed that, simply by explaining what rapid prototyping is, the workshop worked.

Lost in space

Christopher Price and Peter John describe the competitive nature of the satellite launch market

Conditions were perfect for the launch. The rocket boosters ignited, and executives of General Dynamics, the launcher manufacturer, cheered and slapped backs as the distant glow was followed by a gathering roar.

The US's second largest defence group had more than the $150m (£83m) cost of the satellite launch to worry about. General Dynamics' commercial programme has been beset by problems culminating in the abortive launch of a Japanese TV satellite in April. A second failure would be a blow to a company fighting for share in an increasingly competitive market. Despite problems 15 minutes into the launch, the satellite is now in orbit.

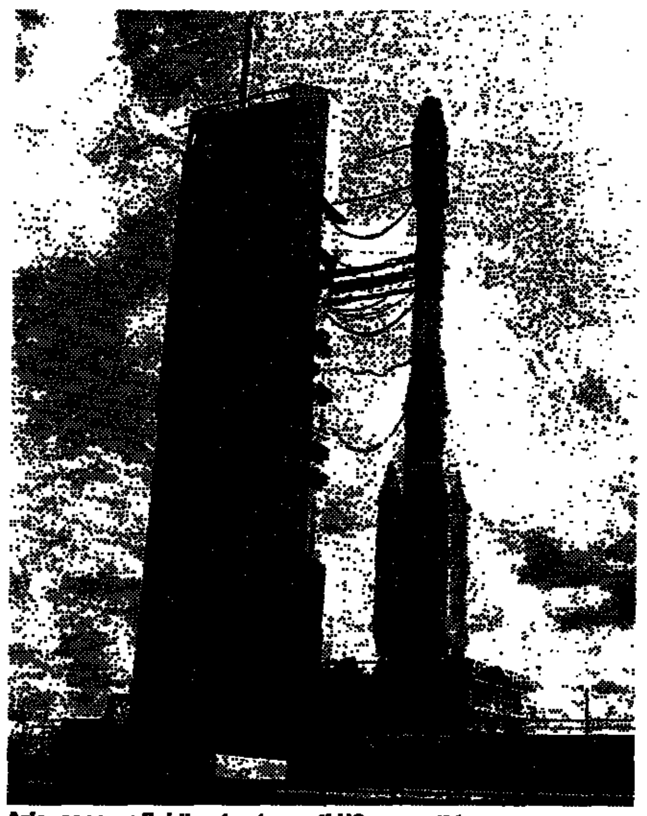
Each successful launch – on this occasion of a satellite for the European operator, Eutelsat – reinforces the launchers' credibility in a market where reliability is a principal component. Failures are as spectacular as they are costly and the US has been rebuilding its launch operations since its expensive, and ultimately tragic, decision to re-use the Challenger launch vehicle, which exploded in 1986.

Spurring the US effort has been the decline in orders from Washington for government and military satellites, which have been the bulk suppliers to domestic launchers General Dynamics, Martin Marietta and McDonnell Douglas. All have been eyeing the $2bn-a-year commercial market with increasing interest. So too have the fledgling commercial satellite nations China and Russia, with Japan also declaring a limited interest.

The leader, with about 60 per cent of the commercial market, is Arianespace. It is owned by the French authorities and a consortium of 11 European countries. However, as the American record on reliability and safety has been restored over the last five years, its challenge has grown.

Ramin Khadem, finance and administrative manager for Inmarsat, which has just invited bids for launching its new series of communications satellites, says: "The reliability of the launch vehicle and the track record of the launcher have always been of the utmost importance. But with the US and the Europeans both having good performances, the issue of price is now becoming the focus."

Price is a contentious subject among the launchers. Charles Bigot, chairman of Arianespace, says: "General Dynamics continues to reduce its prices and we feel that it is not normal. If you compare the GD price for the Intelsat-2 launch two years ago, today they are quoting prices 25 per cent less. It is like dumping. We do not think that it is good for the market to reduce prices without proper commercial reason."



Arianespace: fighting to stave off US competition

Bigot claims financial aid from Washington underpins the GD policy. "US government orders mean they can subsidise their commercial launches." This would not be so bad, says Bigot, if Arianespace were allowed to bid for US government satellites.

But Jack Isabel, GD information manager, cites a $400m capital programme as evidence of GD's independent financial commitment. He, in turn, accuses Arianespace of having a head-start. "They have the advantage over us in that all their non-recurring costs are paid for by the European Space Agency."

The pricing dispute and access to the US market are now the subject of discussion at ministerial level between the EC, France, Germany and Washington. They are also debating a common policy towards China and Russia, which are making desperate bids to gain market access.

One leading satellite operator who recently invited bids for a 1994 launch said that Russia offered to launch for around half the cost of Arianespace, while China had come in at about a third of that price. Moreover, Roy Gibson, head of the British Space Centre, says that China offered to launch a new series of British mini-satellites for nothing in order to gain experience.

Perhaps not surprisingly, the US is presently refusing to allow either country entry to the market, citing the Cocom rules on the export of high technology to the former eastern bloc and Communist countries as the reason. It is, however, looking increasingly friendly towards allowing a Russian launch.

"We do not regard the threat from Russia and China as serious," says Bigot. "You want to be able to launch a satellite safely, reliably, on time and at the right price. Can they achieve these criteria? I do not think so. The Chinese will offer any price. With the Russians it is more difficult to say: who knows what their capability will be in, say, 1995? But, I still do not think they are a serious threat, mainly because they do not know enough."

Meanwhile, both Arianespace and GD are developing new launch vehicles and trimming costs. GD has four commercial launches confirmed for this year and hopes to announce others shortly. It also has 32 government orders over the next five years.

Arianespace expects to launch nine rockets during 1992 carrying between 10 and 12 satellites, following on from the eight launched in 1991. From this, Arianespace expects to show a net profit in 1991, slightly higher than 1990's FFr135.4m (£13.85m) on turnover of FFr5.8bn. The consortium had orders to launch a further 21 satellites, worth FFr10bn on its books.

Whether such a healthy state of affairs will continue remains to be seen. On the plus side, demand for satellite launches is rising with developing nations seeking to enter the operating market. Recently, Arianespace signed a contract with Thailand and is negotiating launches with Malaysia and South Korea.

However, the biggest smile seems to be on the face of the operators. Khadem says: "We very much welcome new suppliers in the launch market. The launch vehicle is a big element in our costs, and if new competition helps drive down costs that can only be good for our customers."

A hole in one for CFCs

By Clive Cookson

TECHNICALLY SPEAKING

No one can see an "ozone hole". The sky looks the same whether or not ozone is present in the upper atmosphere. But scientific evidence released last week showed that man-made chemicals are destroying the protective ozone layer far more quickly than even the pessimists had feared a year ago.

Natural chemicals thrown many miles high by the exceptionally violent eruption of Mount Pinatubo in the Philippines last June have accelerated the ozone destruction. But these cannot obscure the fact that the main culprits are synthetic chlorofluorocarbons (CFCs) which have built up in the atmosphere after decades of use in the world's refrigerators, aerosol cans, cleaning fluids and insulating foams.

The United Nations Environment Programme estimates that a sustained loss of even 10 per cent of the ozone layer would cause 300,000 extra skin cancers and 1.75m eye cataracts per year worldwide. Additional ultraviolet radiation could also suppress the human immune system and exacerbate diseases such as Aids.

At least a human being can escape solar radiation by going indoors. The impact of ozone depletion on plants and animals that spend their whole lives in the open air could be still more serious. Both wildlife and agriculture are vulnerable.

In the face of such a threat, the governments of the world must accelerate further the timetable for phasing out CFCs (and related chemicals called halons) which was agreed originally as the Montreal Protocol in 1987 and revised in 1990. The present schedule calls for CFC production to stop by 2000, but the EC has already set 1997 as the deadline and Du Pont, the largest CFC manufacturer, says it will not sell the chemicals in developed countries after 1996.

Although the next ministerial meeting of the Montreal Protocol is not due until next November, Greenpeace, the environmental group, argues that the latest evidence justifies holding an emergency session to ban CFC production immediately. The chemicals industry responds that this would not be practical, since substitutes are not yet available for many applications, particularly in refrigeration.

However, a ban taking effect in 1994 might represent a reasonable compromise between urgent action and the need to leave users enough time to make alternative arrangements. An early halt to CFC production must be accompanied by more active incentives for industry to extract and purify the "bank" of CFCs trapped in existing products, so that these can be re-used rather than discharged to the atmosphere.

At the same time it is essential for all parties in the debate – chemical manufacturers, users, governments and environmentalists – to reach some sort of agreement about what is an acceptable substitute for CFCs. Uncertainty about this issue is holding up investment in alternatives and making it likely that some users will face a serious crisis when CFC supplies run out.

Hydrochlorofluorocarbons (HCFCs), technically the best substitute for many CFC refrigerants, are not acceptable because they also contain chlorine and could exacerbate ozone destruction.

Hydrofluorocarbons (HFCs) are another matter. They pose no threat to the ozone layer but environmentalists oppose them because they are powerful "greenhouse gases". However, used as refrigerants on a limited scale, their contribution to global warming would be much less than that of carbon dioxide released by burning fossil fuels. HFCs should be welcomed if their commercialisation makes it possible to phase out CFCs more quickly and allow nature to start repairing the ozone hole.

MANAGEMENT: The Growing Business

False dawn for single market

More than half of Britain's small business owners and managers remain unprepared for the full effects of the Single European Market, according to a survey* carried out by the Small Business Research Trust.

Forty-four per cent believe they will not be affected by the completion of the single market, scheduled for December 31, while a further 11 per cent have not considered their position, the survey showed.

Despite this continuing high level of unpreparedness, there has been a large increase in the number of owner-managers who have begun to prepare for change to 45 per cent compared with only 23 per cent in early 1990. Smaller companies, employing fewer than 10 people, appear to be most oblivious to the likely impact of the removal of trading barriers in Europe.

Forty-three per cent of companies said their business was too local to be affected while 11 per cent did not believe that their industry would be affected. Ten per cent said they lacked enough information about developments while a further 10 per cent preferred to "wait and see".

Small manufacturers of finished consumer or industrial goods and providers of consultancy or professional services were the most likely to have made preparations. This frequently took the form of seeking agents or distributors overseas or reviewing their business plans.

Small business owners had increased their preparations, but only in the west Midlands had a majority of owners been actively preparing for the single market. Businesses in the north of England were most likely to see the single market as a threat while those in southern England were the most optimistic.

Small Business in the Big Market. By Colin Gray. SBRT, School of Management, Open University, Walton Hall, Milton Keynes, MK7. £10

CB

Commercial leases

Unravelling the big risks in small print

Charles Batchelor offers tenants a word of warning

Four years after moving out of a small office it had leased in West London, Abercrombie & Kent, a tour operator and travel agent, found itself faced with a demand from the landlord for the payment of back rent.

This was not rent that Abercrombie had failed to pay but money owing from the tenant to which Abercrombie had assigned the lease after it moved out. Under British commercial property law, landlords can force long-departed tenants to make good unpaid rent owed by a more recent occupier.

"The first time we knew there was a problem was when we got a letter from the landlord's solicitor saying we were the original tenant, there was outstanding rent due and they looked forward to receiving our remittance," says Bob Winder, finance controller.

After several months of negotiations, Abercrombie succeeded in getting the rent demand reduced from £50,000 to £30,000. Abercrombie, which has turnover of £22m, was able to absorb the cost – some smaller companies have gone under – but it was still "a blow on the chin we could have done without", says Winder.

Abercrombie & Kent is just one of a growing number of companies to fall victim to legislation which many in the property and legal professions believe to be unfairly weighted against the tenant. Even though landlords have the right to vet any new tenant to which a departing occupant wishes to assign his lease, they accept no responsibility if the new tenant subsequently cannot pay.

During the boom years of the 1980s, landlords had no difficulty finding new tenants. In the current recession, many tenants are going bust leaving unpaid rent bills and triggering clauses which allow landlords to seek redress from previous tenants.

"The recession has made this into a hot issue," says Robert Lee, commercial property partner at solicitors Davies Arnold Cooper. "When tenants go bust, landlords are forced to look elsewhere for their money."

The rigidity of the British commercial property market, with 25-year leases the norm, means that it is not unknown for companies to be pursued for rents 10 or 15 years after they have quit premises. Over these lengthy periods, the rent may have increased many times.

David and Adrienne Jackson: facing demands for £17,500 rent left unpaid by another tenant

One company was paying £355,000 a year in rent when it left an office block in central London. When problems arose with a subsequent tenant a few years later, it faced a demand for unpaid rent of nearly £800,000 a year.

In many countries, lease periods are far shorter and there is no obligation to take on the liabilities of subsequent tenants, says Theresa Grant Peterkin, a partner in solicitors Withers.

In France, leases are usually for nine years with "breaks" at three-year intervals while in the US, five-year leases are common.

The unfairness of the present system has long been recognised and a Law Commission report of 1988 suggested legislation to redress the balance. The government has so far taken no action although the Lord Chancellor's Department says it is looking closely at the report and will take it forward when other commitments permit.

Under current legislation there is not even an obligation on the landlord to warn previous occupants that the present tenant is not paying rent and bills are building up. "There is no limit on how long the landlord leaves it," says Grant Peterkin.

No matter where a business comes in the chain of tenants who have occupied a property, it may find itself the target of a claim from the landlord. David and Adrienne Jackson held the lease on a shop in Reading from which they ran a business printing motifs on sportswear and leisurewear.

The Jacksons were the fourth tenants to lease the shop and two more followed before the most recent tenant ran into problems. Six years after assigning the lease to another long-departed tenant, the Jacksons say they now face a demand for £17,500 in unpaid rent.

"A lot of people don't even know these clauses exist in their leases," says Adrienne Jackson. The Jacksons have already spent £3,000 on legal fees.

But it is not just small companies which are affected and which might be forgiven for failing to read the small print of their lease agreements. Many large retail groups are also concerned at the present state of the law. Dixons, the electrical company; Oliver Group, a large footwear retailer; and W H Smith have all worked with Davies Arnold Cooper on a review of leasehold law.

So what can tenants do to reduce their exposure? Property specialists suggest:

- When signing a new lease or when preparing to assign an existing lease to a new tenant, negotiate to remove or reduce your liability for rent once you have left the premises. It will be more difficult to win the landlord's agreement if you have an existing lease, but if the new tenant is a very solid company or is prepared to give guarantees or a pay a deposit, this may persuade him. "Before the recession you did not stand a chance but it is easier to negotiate now," says Grant Peterkin.
- Insist on a short-term lease or on a lease with "break" clauses which would free you from further liability.
- Instead of assigning the lease, grant an underlease to the new tenant. You remain in control of the lease and know immediately if your sub-tenant has problems in paying his rent. "This does not solve the problem but it mitigates it," says Grant Peterkin. Granting an underlease does mean, however, that you must become involved in dealing with the sub-tenant.
- Insure yourself against liability for unpaid rents. Insurance cover for "assignor's consequential loss" has become more popular recently, says Malcolm Jamieson of Credit and Guarantee Insurance. Premiums vary between 0.1 and 5 per cent of the sum insured, depending on the soundness of the business to which you assign your lease.
- Maintain a contingent liability in your accounts for the term of any lease you have held.

As part of its submissions to the Law Commission review, the Confederation of British Industry (CBI) argued for tenants to be released from liability 10 years after the assignment of a lease, or immediately if there was an increase in the rent because the building had been improved or its use changed.

The CBI also called for an immediate release if rent was outstanding for more than one month without the landlord starting court action to recover it.

If there is to be a shift in the law towards a better deal for tenants, then action needs to be taken quickly. Tenants are only now able to negotiate better leasehold terms because landlords are desperate to let their properties. Once the upturn comes, tenants will once again be dependent on the law to bolster their negotiating position.

In a Nutshell

Livewires start planning here

Awards worth more than £150,000 in cash and kind can be won in the 1992 Livewire Start-Up Awards. The competition is open to 16 to 25-year-olds who have produced a business plan for a new enterprise and to businesses which have begun trading since March 1, 1991. The Livewire programme, sponsored by Shell UK, provides advice and help to entrants.

Competition forms available from Livewire UK, 60 Grainger Street, Newcastle upon Tyne, NE1 5JG. Te. 091 261 5584. Final date for the submission of business plans is February 28.

Free advice for enterprise

A Marketing Management Day, to introduce businesses to the benefits of taking outside marketing advice under the government's Enterprise Initiative scheme, will be held in London on March 10.

The free event, which is organised by the Department of Trade and Industry and Cranfield School of Management, consists of half-hour general briefing sessions and the opportunity for private consultations on individual businesses' problems.

The event will take place between 9am and 7pm at St Ermin's Hotel, Caxton Street, London SW1. No appointments are necessary.

New lease of life for used cars

Companies which make staff redundant are often at a loss to know what to do with the contract hire cars which have been returned by former employees. Early termination of the contract agreement can incur heavy penalties.

One way out is to find another company willing to take on the rest of the contract, says the Contract Exchange Company,* which negotiates such deals. The advantage to the company which takes on the contracts is that it can often obtain cars at favourable rates.

Tel 0635 551010.

Swimming trunks on in Spain

CINVen, the second largest UK venture capital group, has teamed up with Mercapital, a Spanish merchant bank and development capital company, to make joint investments in Spain. CINVen, which manages £900m for the British Coal, British Rail and Barclays Bank pension funds, will make at least £60m available for unquoted investments in Spain.

The two partners have already made one investment, in Vivesa, a lingerie and swimwear manufacturer, with 1990 sales of £41m.

Labouring under election doubts

The date of the general election has still to be announced but businesses should start planning ahead for the possibility that the Conservatives will not be returned for the fourth time, according to accountants Arthur Andersen.*

Tax Planning for a Change in Government suggests a number of steps, mostly involving bringing forward or delaying certain types of income or spending, which might be taken. The booklet also provides a handy summary of the tax changes which have been proposed by the various parties.

**Tel 071 438 3000 or local offices. 16 pages. Free.*

Backing for buy-outs

Ever optimistic, the management buy-out community is forecasting an upturn in activity, at least for smaller deals. Lower interest rates and a large number of over-borrowed companies which need to raise cash make for parallels with the buy-out scene in the early to mid-1980s but the priorities for deal-making have changed, say accountants Ernst & Young (E&Y).

To help managers contemplating a buy-out, E&Y has published a new handbook, Management Buy-Outs: A Practical Guide.

**From Edna Mills, E&Y Corporate Finance, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel 071 931 3377. 24 pages. Free.*

BUSINESS WANTED

BUSINESS WANTED

Distributor of Spares or Accessories

An expanding UK group wishes to acquire for cash:

- companies selling to the trade or retailers
  - product spares (radio, TV and video, PCs, small domestic appliances)
  - electrical and audio accessories.
- turnover up to £5 million.
- not necessarily profitable.

Vendors or their advisers should contact Anne Jordan or Barrie Pearson on 071-388 7000 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher Plc.
Acre House, 11-15 William Road, London NW1 3ER.

LIVINGSTONE FISHER

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BUSINESSES WANTED DISTRIBUTION * WHOLESALE

A fully listed U.K. Public Company seeking acquisitions. Business areas considered include:

* Domestic appliances, giftware
* All types of spare parts and supplies
* Small industrial machinery
* Commercial and office supplies

Committed management welcome
Controlling interests considered

Turnover £1 - £20 million
Companies need not be profitable

Please reply in confidence to Box H9777, Financial Times, One Southwark Bridge, London SE1 9HL

FOOD COMPANY WANTED

A substantial privately owned company wishes to acquire for cash an established business whose products are currently being successfully distributed to the grocery trade. Product ranges that would be of particular interest would include:

Canned Fruits/Vegetables, Canned Meats, Speciality Delicatessen items, Canned Fish, Health Foods.

Minimum turnover should be £1m, and there should ideally
be an effective management team in place.

Please write in strictest confidence giving brief details to

Box H9779, Financial Times,
One Southwark Bridge, London SE1 9HL.

RMA

EMPLOYMENT AGENCY GROUP

Young (Est 1988) Ambitious and Growth Oriented Recruitment Group providing Technical and Industrial Personnel wishes to Merge with or Acquire a recruitment business, with Network of Branches in Midlands, or Southern England. Group Currently has 8 Branches in the North of England and Scotland. Turnover to Y/E March 1992 £15 million with pre-tax profit circa £750-800,000. Reversal into P.L.C. would be considered. Please quote Ref 3001

Resource Management Associates, 35 Rebjohns Rd, Chelmsford, Essex. Telephone 0245 252525 Anytime.

INFORMATION SERVICES COMPANIES

Companies providing niche services are required for acquisition/funding by an industry leader.

Regular information providers in either printed or electronic form are of interest.

Principals only should write to H9788, Financial Times, One Southwark Bridge, London SE1 9HL.

QUOTED CONTRACTING GROUP

seeks acquisition of small to medium general refurbishment contractors who work principally in shop, hotel, office restaurant and pub sectors. Preferred location Cambridgeshire and Essex end of M11. Turnover £1m plus with strong order book.

Write Box H9786, Financial Times, One Southwark Bridge, London SE1 9HL.

TRAVEL AGENCY REQUIRED

International travel business wishes to acquire fully licensed central London business travel agency.

Write in confidence to Box H9791, Financial Times, One Southwark Bridge, London SE1 9HL.

LEASING

Equipment supplier wishes to acquire an interest in a leasing company. Would also be happy to co-operate with other like-minded suppliers.
Pickwick House,
989-995 High Road,
Finchley, London N12.

WANTED

Software House in need of capital injection. Turnover up to £4M. Principles only. Vertical market application essential. Unix/Dos based.

Write box H9742, Financial Times, One Southwark Bridge, London SE1 9HL.

SECURITY

INTERNATIONAL SECURITY GROUP

seeks acquisitions in manned guarding service maintenance or product.

Write to Box H9800, Financial Times, One Southwark Bridge, London SE1 9HL.

PRIVATE LEISURE GROUP

Sport related. Profitable with cash on deposit seeks acquisitions or merger. Would consider reversing into a shell.

Write Box H9782, Financial Times One Southwark Bridge, London SE1 9HL.

BUSINESS SERVICES

RETIRED CHAIRMAN/ CHIEF EXECUTIVE

of listed PLC, mature energetic stable, seeks challenging part time position of responsibility.
Equity stake considered.

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BUSINESS AND ASSETS Of solvent and insolvent companies for sale Business and AssetsTel 071 262 1164 (Mon - Fri)

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YOUR OFFICE IN LONDON From 70p a day. Accom/Tel Ans/Tlx/Fax/Mail Box etc. Office Box.Tel: 071 436 0766 Fax: 071 580 3729.

BUSINESSES FOR SALE

Allied Partners Group plc

The Joint Administrative Receivers, Philip Ramsbottom and Peter Terry, offer for sale the businesses and assets of the following companies:

Allied Accommodation Limited

M40 Oxfordshire

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Allied Accommodation Limited, who operate in the business of hire and sale of portable accommodation.

Principal features include:

- Customer list of 3000 mainly "Blue Chip" companies.
- Fleet of 2700 well maintained cabin units.
- 8 depots providing nationwide coverage.
- High quality experienced management and employees.
- Substantial forward income stream.

For further information contact the Joint Administrative Receiver, Mike Blake, KPMG Peat Marwick, Abbots House, Abbey Street, Reading RG1 3BD.
Tel: 0734 505555. Fax: 0734 589285

Malcolm West Plant Hire Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Malcolm West Plant Hire Limited, a leading distributor and operator of Forklift trucks incorporating associated service and repair activities.

Principal features include:

- Attractive, modern, purpose built premises situated in Hull and Immingham.
- Extensive hire fleet.
- Wide customer base.
- Committed management team and experienced workforce.
- Turnover of approximately £3.5 million per annum.

For further information contact the Joint Administrative Receiver, Julian Whale, KPMG Peat Marwick,
1 The Embankment, Neville Street, Leeds LS1 4DW.
Tel: 0532 313000. Fax: 0532 313183.

Elgie Plant Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Elgie Plant Limited.

Principal features include:

- Established Plant Hire business.
- Proven profitable trading history.
- Turnover approximately £750,000 per annum.
- Freehold site, 9000 sq.ft. building housing offices, workshop, fabrication shop and paint bay; 1/3 acre of land in Thornaby, Cleveland.
- Good quality customer base.

For further information contact the Joint Administrative Receiver, Geoff Adams, KPMG Peat Marwick,
Maybrook House, 27 Grainger Street,
Newcastle upon Tyne NE1 5JT.
Tel: 091 232 8815. Fax: 091 232 8615.

Tiger Rail Limited

The Joint Administrative Receivers offer for sale, as a going concern, the businesses and assets of Tiger Holdings Limited.

The company, based in Victoria, London was established in 1972 and has become one of Britain's leading railway wagon hiring operators.

Principal features include:

- Large and varied specialist rail wagon fleet.
- Established customer base.
- Dedicated and experienced managers, engineers and operators.
- Uniquely approved and tested bi-modal road/rail capability.

For further information contact the Joint Administrative Receiver, Roger Oldfield, KPMG Peat Marwick,
20 Farringdon Street, London EC4A 4PP.
Tel: 071 236 8000. Fax: 071 248 1790.

Adapta Units Limited Steel Building Systems Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Adapta Units Limited and Steel Building Systems Limited, major manufacturers of Steel and Timber modular and portable buildings.

Principal features include:

- Freehold Property of approximately 2.4 acres.
- Office accommodation and manufacturing facilities.
- Combined turnover of approximately £3m.
- Skilled and experienced workforce.
- In house steel design team.

For further information contact the Joint Administrative Receiver, Julian Whale, KPMG Peat Marwick,
1 The Embankment, Neville Street, Leeds LS1 4DW.
Tel: 0532 313000. Fax: 0532 313183.

Forklift Truck Distribution Maintenance and Hire Company

The Joint Administrative Receivers offer for sale the business and assets of United Forktrucks Limited and United Forktrucks (Distribution) Limited.

Principal features include:

- Head Office based in Mirfield, West Yorkshire with seven depots nationwide.
- Freehold property and Leasehold premises.
- Turnover in excess of £7m.
- Plant machinery and equipment.

For further details contact the Joint Administrative Receiver, Peter Terry, KPMG Peat Marwick, 7 Tib Lane, Manchester, M2 6DS.
Tel: 061 832 4221. Fax: 061 832 7265.

KPMG Corporate Recovery

Bytex International Corporation Limited

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Bytex International Corporation Limited.

The company, based in Staines, Middlesex was established in 1983 and operates as a supplier of in-house video film entertainment systems (comprising hardware and movie packages) to the hotel and hospital industries.

Principal features include:

- Annual turnover in excess of £2.5 million.
- Systems installed in some 30,000 hotel rooms.
- Unique system with worldwide patent applied for.
- Leasehold premises with warehousing and office facilities.
- Experienced technical, marketing and film procurement staff.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Corporate Recovery

Touche Ross

Priortex Limited
Priortex (Derby) Limited
Priortex (Lighting) Limited

(All in Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above companies:

- Suppliers of suspended ceiling, lighting and partitioning materials.
- Turnover in excess of £3.5 million.
- One of the largest suppliers in the Midlands.
- Strong customer base.
- Skilled technical sales staff.
- Leasehold premises in Halesowen, West Midlands and Derby.

For further information please contact J.B. Atkinson or R.H. Brown at the address below.

Newater House, 11 Newhall Street, Birmingham B3 3NY.
Tel: 021 631 2288. Fax: 021 236 1513.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

PLASTIC VACUUM FORMERS

Vacform Plastics Ltd

The Joint Administrative Receivers offer for sale the business and assets of this long established plastic vacuum forming company which supplies industrial, display, packaging, and public sector application products.

Principal features of the business include:

- turnover c. £1 million
- fully equipped freehold factory and warehouse on a 1¼ acre site, 24,000 sq ft unit
- full order book
- 18 vacuum forming machines
- 40 staff

For further information please contact Neil Tombs at Cork Gully, 43 Temple Row, Birmingham B2 5JT. Telephone: 021 236 9966.
Fax: 021 200 4040.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

Intertyne Ltd T/A Interdec

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the shotblasting division of Intertyne Limited

- *23,500 sq. ft. freehold property in Hebburn, Tyne & Wear*
- *Excellent overhead craneage, separate spraying shop, blast chamber and paint stores*
- *Substantial order book*
- *Skilled workforce*

All enquiries to Roger M Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93A Grey Street, Newcastle upon Tyne NE1 6EI.
Telephone: (091) 221 1222. Facsimile: (091) 261 2916.

ERNST & YOUNG

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Successful Construction Company FOR SALE in the East Midlands

Contracting and Housebuilding are main activities. Turnover approx. £6m. Net profit before appropriations £1m. Substantial Land Bank. Purchaser sought due to retirement of principals.

Write to Box H9776, Financial Times, One Southwark Bridge, London SE1 9HL.

COMPUTER TRAINING FRANCHISE

Adjoining territories (Bedford and Peterborough) to be sold by existing franchisee. Price negotiable within current franchise fee of £15K. Early disposal sought.

Write Box H9799, Financial Times, One Southwark Bridge, London SE1 9HL.

STAINLESS STEEL STOCKISTS

The Joint Administrative Receivers, Melvyn L Rose and Brian L Lasky, offer for sale as a whole or in parts the business and assets of the following Companies:

ALL STAINLESS SUPPLIES LTD - based in Luton with an annual turnover £850,000.

ALL STAINLESS SUPPLIES (SOUTH EAST) LTD - based in Woolwich with an annual turnover of £650,000.

ALL STAINLESS SUPPLIES (WESTERN) LTD - based in Bristol with an annual turnover of £700,000

All Companies have a broad customer base, fully equipped leasehold premises and stock in trade.

For further information please contact T Follett or M L Rose at the address below.

Elliot, Woolfe & Rose
Chartered Accountants
Lidgra House, 250 Kingsbury Road, London NW9 0BS
Tel: 081-204-9933 - Fax: 081-204-5921

EW&R

Authorised by the Institute of Chartered Accountants in England and Wales to conduct Investment Business

MOTOR DEALERSHIP AND PETROL STATION

Business and Assets for sale as a going concern

- Godsells (Hereford) Limited operates an established Fiat franchise and petrol station.
- Prime freehold site of approximately one acre close to Hereford town centre.
- Extensive workshops and modern forecourt.
- New and used car sales.
- Turnover of approximately £3 million.

For further details please contact the Joint Administrative Receivers Ken Jones and Andrew Menzies

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 1936. Fax: 021-643 4993
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The Joint Administrative Receivers offer for sale the business and assets of

WEYERS BROTHERS LIMITED

The business comprises the manufacture and sale of precision gear units, primarily for the defence industry.

- ★ 0.3 acre freehold site.
- ★ Workshop, office accommodation and parking facilities.
- ★ Experienced and trained workforce.
- ★ Forward order book of £220,000.
- ★ Turnover circa £600,000.
- ★ Blue chip customer base.
- ★ MOD AQAP 4.

For details, contact Iain McAdam on 081-508 3886 or Peter Yeldon on 071-637 5377 at the offices of Smith & Williamson, No.1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson Chartered Accountants Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Smith & Williamson Securities Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

Touche Ross

Six Well Established Hotels for Sale

(Receivers and Managers Appointed)

The Joint Receivers and Managers, Ralph S. Preece and Lindsay K. Denney, offer for sale as a group or, on an individual basis, the freehold or leasehold interest together with the goodwill and assets of a number of well established hotels. Total turnover for the six hotels was £5.94 million (net) for the year ended 31 March 1991.

The Royal Hotel, Scarborough
The Joint Receivers and Managers of **Goldenshield Limited**, offer for sale the business and assets as follows:
- ☐ Elegant Regency freehold property.
- ☐ 135 en suite bedrooms.
- ☐ Extensive public facilities including conference and function suites to seat a total of 510 people.
- ☐ Bars, restaurant, coffee shop and lounge facilities.
- ☐ Turnover £2.29 million (net) for the year ended 31 March 1991.

The Tregenna Castle Hotel, St. Ives, Cornwall
The Joint Receivers and Managers of **Enactcrest Limited**, offer for sale the business and assets as follows:
- ☐ Freehold period hotel located on the Cornish Riviera with stunning views.
- ☐ 18 hole golf course.
- ☐ 83 bedrooms (71 en suite).
- ☐ Substantial conference and function facilities to seat approximately 350 people.
- ☐ Bars and lounge facilities.
- ☐ 5 cottage properties.
- ☐ Turnover £907,000 (net) for the year ended 31 March 1991.

The Midland Hotel, Bradford
The Joint Receivers and Managers of **Coinplan Hotels Limited**, offer for sale the assets as follows:
- ☐ Landmark freehold city centre premises.
- ☐ Significant conference and function room facilities.
- ☐ Extensive public areas including 4 bars.
- ☐ 115 bedroom spaces.
- ☐ Currently closed.
- ☐ Excellent refurbishment opportunity.

The Great Moreton Hall, Congleton
The Joint Receivers and Managers of **Quickthorn Limited**, offer for sale the business and assets as follows:
- ☐ Magnificent freehold country hotel situated in 45 acres of grounds.
- ☐ 16 en suite bedrooms.
- ☐ Extensive private quarters, outbuildings and other property.
- ☐ Well appointed Public Rooms.
- ☐ Turnover £507,000 (net) for the year ended 31 March 1991.

The Granby Hotel, Harrogate
The Joint Receivers and Managers of **Enactcrest Limited**, offer for sale the business and assets as follows:
- ☐ Substantial freehold commercial hotel.
- ☐ 93 en suite bedrooms.
- ☐ Separate education and lecture centre.
- ☐ Bar and dining room facilities.
- ☐ Turnover £1.1 million (net) for the year ended 31 March 1991.

The Royal Station Hotel, Newcastle upon Tyne
The Joint Receivers and Managers of **Coinplan Hotels Limited**, offer for sale the business and assets as follows:
- ☐ Classic long leasehold Victorian Railway hotel.
- ☐ 126 bedrooms (101 en suite).
- ☐ Wide range of public facilities.
- ☐ 10 conference/seminar rooms to seat approximately 200 people.
- ☐ Turnover £1.16 million (net) for the year ended 31 March 1991.

For further information please contact Richard Daszkiewicz on Extn: 146 at the address below.

DRT International

10-12 East Parade, Leeds LS1 2AJ. Tel: 0532 439021. Fax: 0532 448942.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Stewart Engineering Services Limited

(In Receivership)

The Receiver offers for sale the business and assets of Stewart Engineering Services Limited. Key features include:
- *Fabrication and erection of steel structures*
- *Specialisation in high integrity structures*
- *Freehold site of 7 acres in Annan, Dumfries*
- *Buildings of 55,000 sq. ft. with overhead cranage*
- *Highly skilled workforce of 70*

For further details please contact John Readman, Ernst & Young, George House, 50 George Square, Glasgow G2 1RR.
Telephone: 041-552 3456. Fax: 041-553 4420.

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Fax 0400 81318.

MANAGEMENT EDUCATION

The FT proposes to publish this survey on
April 9 1992
It will be of particular interest to our audience of 104,000 businessmen in the UK responsible for making personnel/training decisions who read the weekday Financial Times. If you wish to reach this important audience of decision makers please contact
Sara Mason
on 071 873 3349
or Fax 071 873 3064
for further information.

Data source: BMRC Businessman Survey 1990

FT SURVEYS

Grand International Ltd
(In Receivership)

The Joint Administrative Receivers, MD Gercke and AV Lomas, offer for sale as a going concern an hotel.

- Imposing freehold property with 16 letting bedrooms, all en-suite.
- Restaurant, bar and function facilities.
- Owner's cottage and separate staff house.
- 2 acres of attractive grounds.
- Turnover in the region of £250,000 gross.
- Planning permission to extend to 61 bedrooms or housing development.
- Offered at £650,000.

ROBERT BARRY & Co
CHARTERED SURVEYORS

For further details please contact:
Richard Woodhead, Robert Barry & Co., 7 Upper Grosvenor Street, Mayfair, London W1X 9PA.
Tel: 071-491 3026. Fax: 071-629 9373.

Price Waterhouse

CAR DEALERSHIP

The Joint Administrative Receivers offer for sale as a going concern the business and assets of *Hailey Park Motor Company* Limited.

Principal features comprise:
- A car dealership which is currently trading under a Saab franchise
- Purpose built leasehold premises situated in Cardiff comprising showroom, workshop and office accommodation
- Modern workshop equipment
- Established and experienced workforce
- 1990 turnover exceeding £2 million

For further information please contact:
Paul W Harding or Nigel B Davies
Pannell Kerr Forster
18 Park Place
Cardiff CF1 3PD
Tel: (0222) 378781 Fax: (0222) 388455

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

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BUSINESSES FOR SALE

K7797	Northern based engineering company with turnover in excess of £500,000 and blue chip customer base.
K7784	Precision engineering company located close to M4 with turnover of £350,000
K7800	Northern based engineers in plastics with turnover around £1m.
K7769	Express Transport operator with over 400 live accounts based near a Northern airport.
K7766	Midlands based haulage contractor with own freehold site close to motorway and turnover of £1m.
K7755	Plastic extrusion company based in Midlands with good profits history.

For further information please contact KCR International Ltd Stephanie Lane, Tel 061 443 1327 Fax 061 443 1323

TRADE MAGAZINE,

vertical market, volume and revenue market leader. ABC *controlled circulation*. Reader reply service. Proven history and track record. Circa ¼ million revenue take in 1992. Title no longer fits into corporate strategy.

Write Box H9787, Financial *Times, One Southwark* Bridge, London SE1 9HL

Privately owned specialist engineering group with high unit value brand leader safety product wishes to dispose of all businesses. Turnover may exceed 6 million pounds this year. Owns freehold site, but could be relocated,. Principals only contact P. Scaiff
Tele. 0905 27505
for details.

LEISURE

On the instructions of P R C Densham and D A Howell of Price Waterhouse, Joint Administrative Receivers of Dibhouse Ltd.

FOR SALE

TWO FREEHOLD LEISURE/CLUB PREMISES

Tall Trees Nightclub
NEWQUAY
- 3 Nightclubs licensed for 1060
- Managers apartment
- Full trading history

The Blue Lagoon Leisure Centre
NEWQUAY
- Splash City - Fun pool with 3 flume rides
- Frizzby's Disco - licensed for 300
- Restaurant 80 covers
- 4 lane 10 pin bowling
- Tremendous opportunity

Grimley | R Eve
0272-277778
GROVE AVENUE, QUEEN SQUARE, BRISTOL BS1 4QY

Nelco Limited
(In Receivership)
Farnham, Surrey.

The opportunity has arisen for the acquisition of the business and assets of Nelco Limited as a result of receivership.
- Manufacturers of rotating electrical machines and moulded commutators.
- Excellent future prospects for worldwide sales of new technology for electric road vehicles.
- Annual turnover of approximately £3m.
- Highly skilled workforce.
- Innovative in-house design and development team.

For details please contact the Joint Administrative Receiver MD Gercke FCA of Price Waterhouse, Thames Court, 1 Victoria Street, Windsor, Berkshire SL4 1HB.
Tel: (0753) 868202. Fax: (0753) 864826.

Price Waterhouse

£ + − × ÷ % ? = £ + − × ÷ % ? £

YEOMAN LIMITED
(In Administration)

The Joint Administrators offer for sale as a going concern basis the business of the above company
- **A freehold 24 hour Petrol Filling Station and Sales Shop located in Sunderland.**
- ***Newly refurbished freehold Car Showroom also in Sunderland.***
- **A leasehold Car Showroom, offices, extensive free standing forecourt and large Covered storage accommodation in *Darlington*.**

For further information please contact the Joint Administrator Jeff Cawson at BDO Binder Hamlyn, Pearl Assurance House, 7 New Bridge Street, Newcastle Upon Tyne NE1 8BQ.
Tel. 091 261 2481 Fax. 091 232 0364

BDO BINDER HAMLYN

Chartered Accountants
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment business.

£ + − × ÷ % ? = £ + − × ÷ % ? £

EDWARD KEMBLE LIMITED
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of Edward Kemble Limited, a long established manufacturer of reproduction Regency and Military Style furniture
- Turnover in excess of £1m p.a.
- Leasehold premises in Bow, East London
- Established Customer Base

For further information contact the Joint Administrative Receiver, *David Rolph*, at *Moore Stephens*, St. Paul's House, Warwick Lane, London EC4P 4BN
Tel: 071-334 9191 Fax: 071-248 3408

MOORE STEPHENS
CHARTERED ACCOUNTANTS

FOR SALE

Small software company with high specification accounting products. Highly portable, Developed on Sybase but will port to Oracle, Ingres, Informix or any SQL RDBMS. Full Access Control, Security System, Multi-Currency. NL/SL/PL/POP/JC available ready to market. Distribution modules in progress. Full Windows versions available shortly. Designed for Client/Server architecture. Reason for disposal is that group wishes to concentrate on core businesses. Full System Documentation available. Serious enquiries only.

Write Box No: H9775 Financial Times, One Southwark Bridge, London SE1 9HL

Touche Ross

EMS Signs Limited
Select Signs Limited
Signcare Projects Limited
(All in Administrative Receivership)

The Joint Administrative Receivers, John Wilson and Lindsay Kennedy Denney, offer for sale the assets and undertakings of the above group of companies as a whole, or separately
- ☐ Nottingham based designers, manufacturers and fixers of all types of signs
- ☐ £1.5 million plus turnover.
- ☐ Customer list including Blue Chip companies.
- ☐ 15,000 sq ft leasehold premises

For further particulars please contact John Wilson, the Joint Administrative Receiver, or Dian Wardle at the address below.

DRT International

1 Woodborough Road, Nottingham NG1 3FG
Tel: 0602 500511. Fax: 0602 590979.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

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FT LAW REPORTS

Mortgagors can object to costs

GOMBA HOLDINGS (UK) LTD v MINORIES FINANCE
Court of Appeal
(The president, Lord Justice Stocker and Lord Justice Scott):
January 30 1992

A MORTGAGOR is entitled to object to allegedly unreasonable non-litigation costs itemised on a mortgage account submitted to him on redemption; and the court can order that the costs be quantified by a taxing master, such quantification ordinarily to be on the contractual basis of taxation.

The Court of Appeal so held when allowing part of an appeal by eight plaintiff mortgagors, Gomba Holdings (UK) and others, from Mr Justice Vinelott's decision on a preliminary issue, that they were not entitled to object to allegedly unreasonable items relating to non-litigation costs, in accounts submitted to them by the defendant mortgagees and receivers, Minories Finance and others.

LORD JUSTICE SCOTT giving the judgment of the court, said that in 1984 and 1985 Minories Finance made substantial advances to the mortgagors under debentures, guarantees and mortgages.

Demands for repayment were not met and joint receivers of the assets were appointed.

On March 18 1986 the mortgagors issued an originating summons seeking accounts of the monies owed, and redemption on payment of monies due. By February 11 1987 they succeeded in raising sufficient to meet the liabilities. The receivers were discharged.

There were outstanding disputes as to the accounts. An order for various accounts and inquiries was made by Master Munrow on March 14 1988.

On June 22 the mortgagors served notice of objection to the accounts submitted. Their objections included "unreasonable and/or improper amount".

The majority of items related to solicitors' or advisers' charges or receivers' remuneration. The total challenged was £1.8m.

On October 13 Master Munrow directed trial of a preliminary issue of certain questions arising out of the notice of objection, including whether the mortgagors were entitled to object on the ground that the items were unreasonable in amount.

Under the mortgage deeds Minories was entitled to "all costs, charges and expenses on a full indemnity basis" and the receivers were entitled to retain their remuneration out of the mortgaged property.

It was clear that "costs, charges and expenses" included costs, charges and expenses incidental to litigation, and costs, charges and expenses incurred otherwise than in connection with litigation.

Mr Justice Vinelott declared *inter alia* that the mortgagors were not entitled to object to non-litigation items on the ground that they were unreasonable.

The mortgagors appealed.

Minories cross-appealed. It sought an order that the mortgagors were not entitled to object to unreasonable litigation or non-litigation costs, unless the court had deprived it of the costs.

Order 62 rule 1(4) of the Rules of the Supreme Court provided that references to costs included "fees, charges disbursements, expenses and remuneration", and costs of or incidental to proceedings.

The natural meaning of rule 1(4) was that "costs" was not confined to litigation costs.

Order 62 rule 12 (2) provided that on taxation on an indemnity basis "all costs shall be allowed except insofar as they are of an unreasonable amount", and any doubts the taxing officer might have as to whether they were reasonable "shall be resolved in favour of the receiving party".

Both the standard and the indemnity bases of taxation under rule 12 were based on concepts of reasonableness.

Rule 19 provided that a taxing master had power to tax "(a) the costs arising out of any proceeding ...", and "(c) any other costs the taxation of which is ordered by the court".

Paragraph (a) was dealing with litigation costs. Paragraph (c) was dealing with non-litigation costs.

Rule 24 provided that where the court ordered an account to be taken and the account consisted in part of costs "the court may direct a taxing officer to tax those costs".

In that rule too, there was nothing that confined "costs" to litigation costs.

The principle that a mortgagee was entitled to add to the secured debt his costs, charges and expenses properly incurred was firmly embedded in the law.

On the true construction of the mortgage, guarantee and debenture, Minories was entitled to be paid all its actual costs, charges and expenses including the receivers' remuneration, except insofar as they were of unreasonable amount or had been unreasonably incurred, any doubt as to reasonableness being resolved in favour of Minories.

The Rules of the Supreme Court provided machinery for quantification. They provided in particular for accounts to be taken and inquiries to be made. And they provided for costs to be taxed by the taxing masters.

Mr Potts for Minories submitted that non-litigation costs were not subject to taxation and could only be quantified by the taking of an account with or without supplementary enquiries. Mr Cullen for the mortgagors accepted that that was correct. The view seemed to have been shared by the judge.

The proposition that non-litigation costs could not be subjected to a process of taxation to quantify the recoverable amount was unsound in principle and on authority.

"Taxation" was no more than the name given to the quantification process whereby the amount of recoverable costs and disbursements was ascertained. A special cadre of judicial officers, the taxing masters, had been established to carry out that process.

Order 62 rule 19 authorised taxing masters to tax (a) costs of proceedings, and (b) any other costs the taxation of which was ordered by the court. "Costs" included "fees, charges disbursements, expenses and remuneration". Rule 24 enabled a Chancery Master taking an account to request a taxing master to tax any items of "costs" comprised in the accounts.

The effect of those provisions was that if an account contained items of litigation or non-litigation costs, they could be referred to a taxing master for taxation, ie for him to decide what amount was recoverable. He must be told on what basis he was to conduct the taxation.

On the basis of the authorities also, litigation costs and non-litigation costs could be referred for quantification to a taxing master (see *Allen v Jarvis (1869) 4 Ch App 616; National Provincial Bank of England v Games 31 Ch 582; Adelphi Hotel(Brighton) [1953] 1 WLR 955*).

Minories was contractually entitled to recover costs on an indemnity basis. Its contractual entitlement corresponded with the indemnity basis of taxation set out in Order 62 rule 12(2).

Prima facie the basis of taxation of a mortagagee's costs should correspond with his contractual entitlement under the mortgage deed.

Nevertheless, in relation to "costs of and incidental to" civil proceedings in the Court of Appeal and High Court, the court had a statutory discretion (see section 51(1) Supreme Court Act 1981).

Orders for payment of costs to be taxed on standard basis had already been made in the action. The court needed to decide what, if any, residual rights Minories could claim.

The discretion should ordinarily be exercised to reflect the contractual right *(see Seavision Investment v Evenett, October 18 1991, CA)*. A mortgagee was not to be deprived of a contractual or equitable right merely by reason of an order made without reference to his contractual or equitable right and without adjudication as to whether he should be deprived of those costs.

That opinion accorded with that of Mr Justice Vinelott.

The court did not agree with Mr Justice Vinelott that a complaint about the fixing of the receivers' remuneration at an unreasonably high level could only be pursued in a separate action. A separate action was not necessary.

The mortgagors were entitled to object to items on the ground that they were unreasonable in amount, but any doubts were to be resolved in favour of Minories. The master had power to direct that costs be taxed by a taxing officer on an indemnity basis.

Indemnity costs were not to be disallowed on the ground that standard costs had already been ordered, unless the court intended to deprive Minories of those costs.

To the extent indicated the appeal and cross-appeal were allowed.

For the mortgagors: Terence Cullen QC and Anthony Trace (Holman Fenwick & Willan)
For Minories: Robin Potts QC and Robin Knowles (Freshfields)

Rachel Davies
Barrister

Stylish it may be, but art it is not

This year the Hunting/Observer Prize and the Barclays Young Artist Award again coincide. Each was established in the early 1980s and each is worth a considerable sum of sponsor's money. And again their coincidence raises many questions on the nature and value of such things.

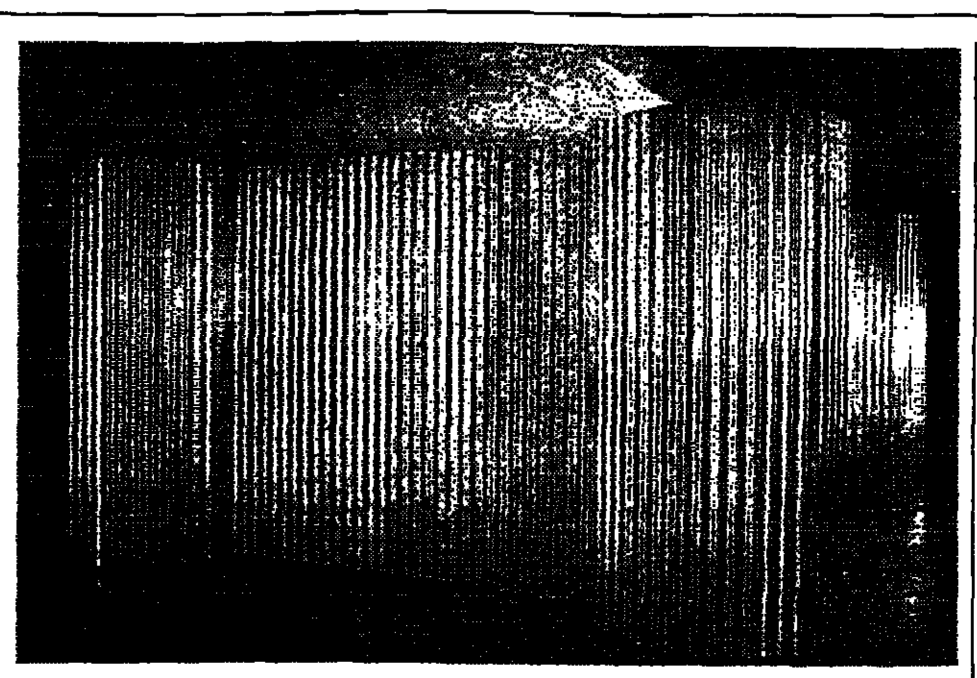
The student or young artist has often proved attractive to the sponsor: the hard time he has of setting himself up in the harsh world, finding a decent studio, getting a show and all that apparently softens the hardest commercial heart. The Barclays Award is reserved specifically to the young artist of the year "at a crucial stage in his career", to be drawn from among his peers in the previous summer's final exhibitions at London's post-graduate schools: only the Slade, Academy Schools, Royal College, Chelsea and Goldsmiths' need apply.

The work of the final shortlist of candidates for the current Barclays Award is now on show at the Serpentine Gallery (Kensington Gardens W2, until March 8). There are nine artists in all, of whom all but the winner take an equal share in £10,000, while the winner has £10,000 to himself. The process, as I understand it, is one not of application but of invitation, the panel of selectors visiting the shows to make its initial choice and so winnowing it down by degrees. That there may also be an element of nomination, or at least discussion with the school itself, remains unspoken, though the nature of the work that has come through on recent occasions, given the known catholicity of interest of the panel, suggests this may well be so.

Now this is to cast no aspersions, nor is there a case to be made for any cynical exploitation of student or position. And yet it must be said on the strength of this exhibition, following so hard upon last year's award, the Serpentine's subsequent *Broken English* show in the summer and then the whole Turner Prize farrago of the autumn, that an orthodoxy has emerged and become established, compounded of the banal, the stylish and the empty.

Here, the Award is saying, is the outstanding young artist of his generation. Yet why, with so wide a range of work to choose from, is it work only of a certain kind that is admitted for consideration at this critical level? We are often told that we live in happily pluralistic times, post-avant-garde, post-modern. If that means anything in this connection, it can only be that what is good of its kind across the board has a legitimate claim on our critical interest, whether it is the severest minimalism or the most rigorous conceptualism on the one hand or, on the other, the most beautifully understood and realised still-life.

Is there no figurative work, no work from life or nature or the imagination being done in these schools? Of course there is, only not to be taken seriously at this level, let alone considered for the prize. Certainly there is no whiff of representation in this exhibition, save for the toy-town Meccano archness of Joanna Lawrance (RA Schools) with her spindly cranes and trolleys, set out on shelves.



Barclays Young Artist award: 'Untitled' 1991, by Andrew Kearney

What we get is Andrew Kearney (Chelsea) with his grandiose installation that fills the entrance gallery, a featureless block some 10 feet high on the plan of a medieval stronghold, square with rounded turrets at each corner and clad entirely in corrugated iron sheeting. It is not so much the self-importance in carrying through such a futile imposition that takes the breath away, as the thought that he has been so positively encouraged in his self-importance as to believe its expression significant.

And there is Yinka Shonibare (Goldsmiths'), whose great leap of the creative imagination has been to take a number of African batik fabrics, as may be bought at any craft bazaar, mount them on a stretcher and then paint one or more of the surfaces a flat and even grey. They are nicely stretched and the paint put on well enough: and again the artist has somehow been persuaded of the cosmic significance of the simple trick. Oh, but it is a metaphor for exploitation and appropriation, perhaps; how poignant and politically correct. But yet the cliché never made the art of itself, or every rhyme of "moon" with "June" would produce the greatest poetry.

And here is Gabriel Klasmer (RCA), who has reduced his art to the simple practice of painting a surface with dark, thick, fat grey paint, and then modifying the surface by direction, as one may brush with or against the nap of the cloth on a billiard table. The light catches the surface, which shifts accordingly, and no matter that Ad Reinhardt was doing the same and more 40 years ago, to far more point and with far more painterly wit. But why go on? No prize exhibition can be better than the work submitted or otherwise eligible.

The Hunting/Observer Prize exhibition, meanwhile, is at the Mall Galleries (until February 15, then on to Leicester in March). It is worth £20,000 to the winner, with minor prizes in addition, two of them reserved to students. I can say little about it critically, being, as one of the judges, *parti pri*, but I whole-heartedly support it, both in principal as an entirely open exhibition and as it stands.

It is predominantly figurative, but not as a policy, for far too little abstract work was sent in. Similarly, surprisingly few students chose or were advised to send in, though what we got was very good and Ishbel Myerscough's double nude outstanding. The main prize went to Dick Lee for his painting of a wood-pile in a farmyard. Now in his 60s and retired from Camberwell, where he taught, he is the best painter of landscape now working in this country.

William Packer

The Kiev Ballet

PALAIS DES CONGRES, PARIS

The lyric ensembles from the Kiev Opera House have lately opened an extended season in Paris. Pleasure at seeing the ballet troupe – it was last in Paris in 1964 – is somewhat mitigated by the company's failure to understand either the nature of the Congrès stage or the tensions it imposes upon a production. The dance area is vastly broad, and utterly devoid of theatrical ambience or artifice, and it can only suit arena ballet at its most vigorous. The Kirov and Bolshoy ensembles have played there, classicism ultimately triumphant, and so – with notable success – has Béjart, whose stagings seem exactly judged for its conditions. (No Béjart fan, I record that the bombast of the productions looks bold, and communicates boldly, on this exposed stage).

Alas for the Ukrainian's ballet. Their operatic offerings, *Khovanschina* and *Mazeppa*, may have fared better, but the two big dance presentations unveiled at the weekend, *Sleeping Beauty* and *Nutcracker*, made for light-weight and improbable viewing. Gauzy, inadequate design; under-nourished choreographic texts; a dance-style that had as yet to accommodate itself to the arena conditions, all made for disappointment. The company's theatrical virtues, in schooling and temperament, could be seen to be dissipating in these huge and anti-theatrical surroundings. And the use of recorded music, well played by an un-named orchestra that I assume to be that of the Kiev Opera House, did not help individual soloists to appear at their best.

It must be said that the long shadow of the Bolshoy is cast over the two ballet productions. But the Kiev troupe could muster neither the force of massed Muscovite dance power nor the cumulative bravura needed to carry a vision of such masterpieces to any convincing conclusion in these circumstances. It is now surely time, in the post-Soviet era, for the Ukrainians to reconsider the nature of the old repertory. Ironically, their first *Beauty* in 1950 was staged by Fyodor Lopukhov, one of the great traditionalists of the Petersburg ballet, for a sense of tradition is exactly what is missing in this current version (by Kiev's ballet-master, Viktor Litvinov, after Yury Grigorovich's expansive Bolshoy recension.)

A particular fascination of both *Beauty* and *Nutcracker* is the way in which a precise locale (a court; a Biedermeier household) opens out to magic and fantasy. A real world is the necessary spring-board for a journey into realms of the imagination exemplified by the classic dance itself. Yet the Kiev stagings, as with other Soviet versions we have seen, offer flimsy design, fly-away costuming, weightless dramatic playing, that sabotage the terrain from which the dance must spring. Unless, as with the Mariinsky and Royal Ballets, we sense the real, then the magical is denied its force. Florestan XXIV's courtiers and Councillor Stahlbaum's family must be figures as potent at the Lilac and Sugar Plum fairies. Nothing, in the Kiev presentations, compensated for a central flightiness, an imponderability of manner. The company is disciplined, well-schooled, and probably looks more so in its home theatre where it does not have to spread itself so thinly as on the extensive tracts of this stage. The corps de ballet is pleasing as nymphs, snowflakes, fairies, but it is more difficult to judge the upper ranks of the troupe under such surroundings.

Th leading roles in both *Beauty* and *Nutcracker* were taken by Tatiana Beletskaya and Viktor Yaremenko, able performers, though having to fight to project either dance or characterisation. The programme book, a mine of misinformation, misprints and omissions, was selective in listing any of the other artists. Fortunately it did identify the Blue Bird and his princess as Maxim Beloserkovsky, a fresh, clean virtuoso and Yelena Filipieva. Miss Filipieva is beautiful, looks young, and is a treasure. Her Florine was grand in style, serenely commanding, and had a mysterious radiance that speaks of joy in dancing. It was a most beguiling interpretation, not least because of the sweet inevitability with which Miss Filipieva showed us the dance.

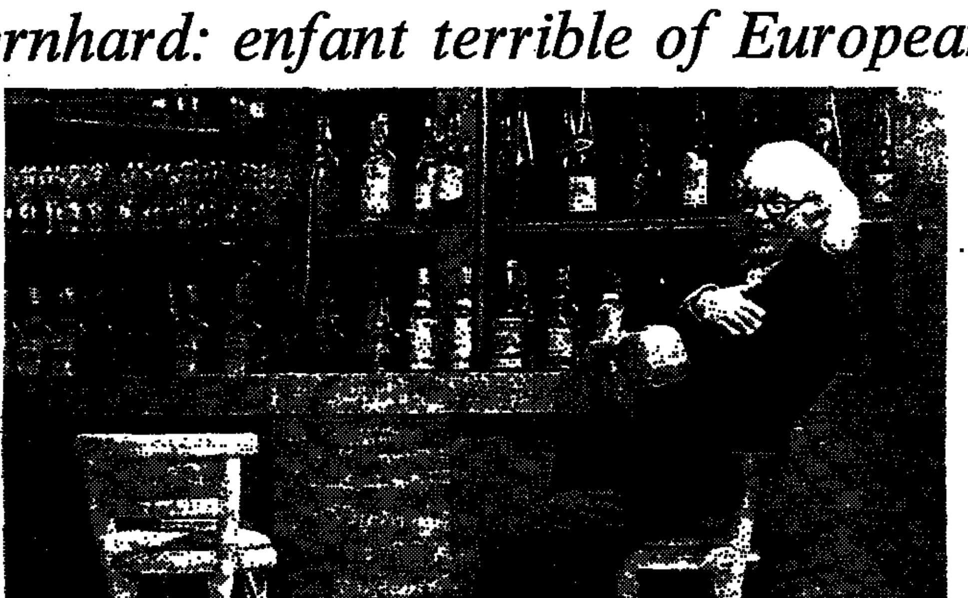
The Nutcracker was given in choreography by Valery Kovtun. As with *Beauty*, the bleaching out of drama, the rejection of the richly credible world established by Tchaikovsky's score, denied the piece its power. Everything up to the snow-flakes waltz was skimped, improbable; thereafter, Kovtun's skills produced fluent classic ensembles. On the Kiev Ballet's next westward journey, and the troupe deserves to be more widely seen, we must hope that the repertory will look more secure in style, and more rewarding to its interpreters.

Clement Crisp

Thomas Bernhard: enfant terrible of European theatre

"I despise actors", wrote the dramatist Thomas Bernhard, "indeed I hate them, for they ally themselves at the least sign of danger with the audience and betray the author and completely identify with stupidity and feeblemindedness ... they are the true gravediggers of literature. Minetti is the exception".

He may have hated them, but since his death in 1989, Bernhard has become the adored enfant terrible of contemporary European theatre, his cantankerous eloquence sung out by actors in Vienna, Berlin, Paris. In particular, there is a small feast of works about the loathed profession. *Minetti*, inspired by Bernhard's favourite German actor, 86-year-old Bernard Minetti, opened this week in a stylish French version by the Nouveau Theatre de Belgique in Brussels, and recasts Minetti as the quintessential Bernhard type: a pessimist on the fringe of the establishment, bitter, raging, penalised for seeing the truth.



Cantankerous eloquence: René Hainaux as Minetti in the Brussels production

This Minetti arrives in a New Year's Eve snowstorm in Ostend and shelters in a hotel where 30 years ago he met the Belgian artist James Ensor and commissioned from him a mask of Lear. Now an old actor cast out of Germany, he dreams of a rendez-vous with a director who will offer him the part of Lear. While he waits and remembers, fantastical masked figures from the past swarm on and offstage, whirling him up into a mad carnival.

Henri Rosne, veteran director of seven Bernhard works, is here in his element, getting to the heart of the play through a particularised Belgian setting. His phantom revellers are embodiments of James Ensor's paintings, resembling harlequins from Ensor's "La Gamme d'Amour". They come in fur and satin, stage outfits and dinner suits; a dwarf in pink knickerbockers and top hat dolefully joins the procession; they burst into Rosne's haute bourgeois hotel – all mahogany bars and art deco furniture – and dance on the orderly seafront promenade, breaking up the silence and snow as they spin round Minetti, now mad, enacting Lear's scene on the heath.

Rosne's set, breathtaking in the sensuous but stifling elegance of every detail, evokes exactly Bernhard's claustrophobic world view: when Minetti praises Ostend as a place to "respirer l'air anglais", you almost feel the relief of English liberalism wafting across the Channel.

Into this propriety, René Hainaux's Minetti spurts blood and thunder, then dissolves into mockery, spitting consonants and elongating vowels into nonsense rhymes, swooning off in a jokey drawl ("c'est l'Angleterre que je préfère: Shakespeare et Scotland Yard"). He hugs the suitcase containing the mask, symbol of exile and dreams, and suggests at once his own absurdity and the frenzied love of life that has turned to savage disappointment: a tragic hero floundering in a "comédie misanthrope". It is a deeply touching portrait of the artist as old man, as madman, as everyman caught between sanity and insanity, reality and fiction. Bernhard's extraordinary ability is to distil nihilism into a concrete picture of an individual's meaningless life, and to make us care desperately about that life.

While the Bernhard of the novels can read like a monster of middle European gloom, a rich production – this one from Rosne, or Claus Peymann's *Heldenplatz*, hit of the German World Drama Festival last summer – is a shimmer of contrasts: the warmth of character and luxurious precision of setting versus the uncompromising voice calling out that all this is hollow and foolish.

*

At the Vienna Burgtheater, desperation and madness are fixed into the tangible reality of parochial upper class Vienna in Peymann's production of *Ritter Dene Voss*, named after three Burgtheater stars. Voss is Ludwig Wittgenstein, and Ritter and Dene are his two sisters trapped in a paralysing relationship with their brilliant/lunatic brother.

Each character is shown as the victim of his own fictions; conversation shifts between staccato exchanges and a kind of stream-of-consciousness monologue which each of the family picks up like a madrigal, individual variations expressing dissonance but the whole symbolising their helpless unity. Over them hangs the spectre of Ludwig's bullying doctors whose "establishment" corruption is slowly unveiled.

Peymann's intense, ironic production comes to northern Europe next month; a French production of the play, *Dejeuner avec Ludwig W*, is currently enjoying a successful run in Paris. English theatres have been missing out, but a translation of three Bernhard plays – the popular *Der Theatermacher (Histrionics)*, also about an actor, *Ritter Dene Voss* and *A Party for Boris* – is published this week (Quartet, £19.95). Peter Jansen and Kenneth Northcott's version is a model of drama in translation; they retain the musicality and edgy comedy of Bernhard's prose-poetry, and even in reading the colour and wit underlining the seriousness shine through. Bernhard's drama, turning nihilism and dissonance into entertainment, is unique in European theatre: what a pleasure to have at last the chance of an English production.

Jackie Wullschlager

Flor and Temirkanov

ROYAL FESTIVAL HALL

A shortage of eminent German conductors in their prime is starting to make itself felt. Major posts across the musical world are filled by conductors from a wider range of cultural backgrounds, which is entirely beneficial to the spread of music on offer, while the younger Austro-German may find doors opening at an earlier point in his career.

On Saturday Claus Peter Flor made his first London appearance as Principal Guest Conductor of The Philharmonia. With some years of concerts for several of the capital's orchestras behind him, this was not in fact a catapulting to fame of the kind that landed Franz Welser-Möst his position at the rival London Philharmonic. Flor has worked patiently towards an appointment. He is well versed in the German tradition and comes with a solid repertoire base from which to work.

If all that suggests a certain Teutonic solidity in his general approach, the musical performances more often than not lean in that direction too. Flor, now in his mid-30s, learnt his craft in the former East Germany, where it is likely that the road to the top would have been slow and propelled by traditional musical virtues.

The choice of programme for Saturday's concert, sponsored by Automotive and Financial Group, pointed to where the conductor presumably feels his strengths and sympathies lie. The three works, all Germanic, classical or early romantic, were just far enough off the concert-goers' beaten track to suggest an enquiring spirit; but none was of the type where a conductor can easily show himself off.

The evening opened with Haydn's Symphony No. 6, "Le Matin", and closed with Beethoven's Mass in C. The Haydn was done with reduced forces, the Beethoven by full orchestra and the large Philharmonia Chorus. But both sounded fairly weighty, the blend of textures middle-heavy, without much desire to get wind or brass to cut through. Flor's aim is more to secure a good standard of all-round performance and the Beethoven Mass left one not elated, certainly not dazzled, but at least with a feeling of quiet satisfaction.

The soloists – Nancy Argenta, Susan Bickley, Philip Langridge and Michael George – sang as a genuine quartet, rather than four solo voices. The Philharmonia Chorus had been decently well prepared and was probably glad to be there at all, given that one of Flor's counterparts in London recently spurned the services of his orchestra's resident choir and imported a chorus of his own.

In between Cécile Ousset was the soloist in Mendelssohn's First Piano Concerto. There is not a lot more than dazzle to this score and Ousset duly provided the bravado, if without achieving the fearsomely hellish drive of a Serkin that would make it an occasion to hang on to the edge of the seat. But then, however well it is played, this concerto is unlikely ever to sound more than the work of a lesser composer.

Richard Fairman

Occasionally, a thoroughly dreadful concert such as the Royal Philharmonic Orchestra gave in the same hall the following evening needs to be written about, even if only in brief. Charitable instincts might prefer to draw a veil of silence over the performance of Bruckner's Fourth Symphony in the second half, which ran the work's symphonic argument through a gauntlet of ill-chosen tempos ill-sustained, and transformed its radiant sound-world into a nightmare of slack strings, braying brass and sloppy ensemble.

But after all, Sunday's conductor, Yury Temirkanov, is the orchestra's Principal Guest; and the RPO was once – the period is still in living memory – a Bruckner orchestra of noble style and conviction, when the great Rudolf Kempe was its Music Director. What on earth can have persuaded the players to submit themselves to so patently absurd and embarrassing display of a conductor's musical incomprehension? Surely the problem must have become glaringly evident in rehearsal?

The first half was no better: an invertebrate account (in spite of some lovely woodwind playing) of *L'Après-midi d'un faune*, and an airless, near-motionless one of Brahms Double Concerto, with Vladimir Spivakov and Alexander Knyazev the soloists. Temirkanov may be an erratic, show-off conductor of Russian music, but at least he speaks its language; on this showing he is liable to reduce Brahms and Bruckner to the musical equivalent of gibberish.

Max Loppert

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BERLIN

Schauspielhaus 20.00 Kurt Sanderling conducts the Berlin Philharmonic Orchestra in Mozart's A major Piano Concerto K488 (soloist Mitsuko Uchida) and Schubert's Great C major Symphony, repeated tomorrow and Thurs, Sat, Sun and next Mon: Neeme Järvi conducts the BPO (East Berlin 2090 2156)

BRUSSELS

Palais des Beaux Arts 20.00 Georges Octors conducts the Walloon Chamber Orchestra in symphonies by Bach, Boccherini and Mozart, with Stephanie Gonley soloist in Mozart's Fourth Violin Concerto, Thurs and Sat: Mischa Maisky is cello soloist with the Belgian National Orchestra (507 8200)

Monnaie 20.00 Carlos Kalmar conducts Nicolas Brieger's production of Il barbiere di Siviglia. Runs till Feb 20, with next performances on Thurs and Sat (219 6341)

COPENHAGEN

Royal Theatre 20.00 Two Bournonville ballets: The King's Volunteers on Amager and La Sylphide, repeated next Mon. Tomorrow: Le nozze di Figaro. Thurs: Bournonville's Abdallah. Fri: Don Giovanni (3314 1002)

DRESDEN

This week's programme is dominated by a guest visit from the Hamburg Ballet and the annual concerts commemorating the bombing of Dresden in February 1945. At the Semperoper, the Hamburg company will be showing a John Neumeier double-bill with music by Mahler (tonight) and Neumeier's setting of the Matthew Passion (Thurs and Fri). Hiroshi Wakasugi conducts the Dresden Staatskapelle's commemorative concerts at the Kulturpalast on Thurs and Fri. On Sat in the Semperoper, Gunnel Bohman sings the Countess in Le nozze di Figaro, and on Sun Wolfgang Rennert conducts Der Rosenkavalier (4842 731). Thurs in the Kreuzkirche: Dvorak's Stabat Mater. Sat: Kreuzchor Vespers (495 1435). Sat and Sun at the Kulturpalast: Jiri Belohlavek conducts the Dresden Philharmonic Orchestra and Chorus in Dvorak's Requiem (4866 306).

GENEVA

Comedié 20.00 Botho Strauss' play Le Temps et la Chambre (1991). Daily except Sun and Mon till Feb 27 (205001)

HAMBURG

MUSIC

Wolfgang Rihm's new opera Die Eroberung von Mexico is at the Staatsoper tonight and Sat. Tomorrow: Vladimir Atlantov and Gabriela Benackova star in Otello. Thurs and Sun: Idomeneo. Fri: Don Pasquale. Sun morning in the Musikhalle: Neville Marriner conducts the Hamburg State Philharmonic Orchestra in music by Berlio, Saint-Saëns and Schumann, repeated next Mon evening (351721)

THEATRE

This week's repertory at the Deutsches Schauspielhaus includes a new production of Lessing's tragedy Emilia Galotti (Thurs), plus three Michael Bogdanov productions: Shakespeare's The Tempest (tonight and Sun), Romeo and Juliet (Sat) and Brian Friel's Dancing at Lughnasa tomorrow (248713)

LONDON

Coliseum 19.00 Xerxes, with Ann Murray in the title role. Tomorrow: Königskinder (071-836 3161)

Royal Festival Hall 19.30 Neville Marriner conducts the Academy of St Martin in the Fields and Chorus in Haydn's The Creation. Tomorrow: Rattle conducts the LPO (071-928 8800)

Queen Elizabeth Hall 19.45 Laurie Booth and Company in Spring Loaded, a new show by one of Britain's most exciting dance creators, also tomorrow (071-928 8800)

Barbican 19.45 José Carreras and the English Chamber Orchestra. Tomorrow: piano recital by Stanislav Bunin. Thurs: Michael Tilson Thomas conducts the LSO (071-638 8891)

MILAN

Teatro alla Scala 20.00 Wolfgang Sawallisch conducts Peter Beauvais' Munich production of Arabella. The title role is sung by Felicity Lott tonight and Fri, and by Nancy Gustafson tomorrow and Sun (7200 3744)

NEW YORK

Carnegie Hall 20.00 Riccardo Muti conducts the Philadelphia Orchestra and Westminster Symphonic Choir in a concert performance of I Pagliacci, with Luciano Pavarotti, Daniela Dessi, Juan Pons and Paolo Coni (247 7800)

Avery Fisher Hall 19.30 Andrew Davis conducts the New York Philharmonic Orchestra in Britten's Four Sea Interludes from Peter Grimes, Mozart's Bassoon Concerto (with Judith LeClair) and Elgar's First Symphony. Fri and next Tues: Davis conducts Schubert, Stravinsky and Sibelius (875 5030)

Metropolitan Opera 20.00 Nello Santi conducts Turandot, with Ghena Dimitrova, Teresa Stratas, Vladimir Popov and Nicolai Ghiaurov. Tomorrow: Il barbiere di Siviglia (362 6000)

New York State Theater 20.00 City Ballet in Jerome Robbins' Dances at a Gathering and Balanchine's Mother Goose and Stars and Stripes (870 5570)

PARIS

Palais Garnier 19.30 Frans Brüggen conducts the Orchestra of the 18th Century in Bach's St John Passion. Tomorrow till Sat: Stuttgart Ballet (4017 3535)

Chatelet 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in Roussel's Festin de l'araignée, Britten's Lachrymae and Les Illuminations (soloists Lynne Dawson and Serge Souffiard) and Prokofiev's Classical Symphony. Tomorrow: Charles Dutoit conducts Bartok, Janacek and Beethoven (4028 2840)

Opéra Bastille 19.30 Myung-Whun Chung conducts André Engel's production of Lady Macbeth of Mtsensk, with Mary-Jane Johnson in the title role, also Fri. Tomorrow and Thurs: Paata Burchuladze sings Mussorgsky (4001 1616)

Palais des Congrès 20.00 Kiev Opera Ballet in Sleeping Beauty. Tomorrow and Thurs: La Sylphide (4068 0006)

WASHINGTON

Arena Stage The Father and The Stronger, two Strindberg plays about sexuality and power, are showing in the Old Vat. Runs till April 15 (488 3300)

Washington Opera The only performance this week is Cav and Pag at the Kennedy Center Opera House on Sat, conducted by Cal Stewart Kellogg with a cast including Ermanno Mauro, Timothy Noble, Makvala Kasrashvili and Pamela South. Seven performances till March 7 (416 7800)

Kennedy Center Concert Hall Tonight at 19.00: Mstislav Rostropovich conducts the National Symphony Orchestra in a programme including Shostakovich's Fourth Symphony. Tomorrow: Kathleen Battle song recital. Thurs and Fri: Valentine Pops concerts, from Mozart to Gershwin. Sun: Kronos Quartet (416 4600)

Terrace Theater Tonight at 19.30: Chanticleer, a capella vocal ensemble, sings Renaissance court and church music, French and English madrigals, barbershop and contemporary American songs. Thurs: Pascal Rogé. Fri: Jazz for Lovers, with bop blues singer Ernie Andrews. Sat: Oberlin Baroque Ensemble (416 4600)

Eisenhower Theater Washington Ballet, directed by Mary Day, returns this week with choreographies by Balanchine, Goh and Kevin McKenzie. Daily from tomorrow till Sat, with an extra matinee on Sat (416 4600)

ZURICH

CONCERTS

Tonight and tomorrow in the Tonhalle, Maurice André is soloist in a programme of trumpet concertos, with the Zurich Chamber Orchestra conducted by Edmond de Stoutz (252 1737). Sun morning in the Opernhaus: Georges Prêtre conducts Beethoven's Fifth and Eighth Symphonies (262 0909)

OPERA/BALLET

This week's repertory at the Opernhaus consists of Il trovatore tomorrow, Fri and Sun, and ballets by Bernd Roger Bienert and Bertrand d'At on Thurs and Sat (262 0909)

THEATRE

Arden of Faversham, an Elizabethan thriller directed by Terry Hands in a German translation by Reinhard Palm, can be seen at the Schauspielhaus tomorrow, Fri and Sun. Tonight: Dürrenmatt's The Physicists (1962) directed by Achim Benning. Sat: first night of new production of Tankred Dorst's play Ich Feuerbach, directed by Peter Arens (221 2283)

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1330-1400 Business Day
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0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads - International issues

Sky News

1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN

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0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel

1800-1830 FT Business Weekly

Sky News

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Tuesday February 11 1992

Fair pay for the teachers

YESTERDAY'S PAY review body reports will attract a predictable chorus of disapproval. Some organisations representing the teachers, doctors, nurses and health workers will attack their awards as niggardly. Private sector employers will regard the awards as over-generous at a time when they are being battered by recession.

This is in the nature of the pay review process, which must balance the expectations of the people it covers against pressure from the taxpayer and private sector employers to keep increases in public sector pay as low as possible. Independent review bodies offer the most acceptable way of resolving that conflict for teachers, doctors and other large groups in the public service, where government is the sole employer.

Central to the pay review process is some form of comparability with private sector pay rates, combined with analysis of turnover and vacancies. But comparability is inevitably backward-looking: this year's pay increase for the public sector reflects last year's increase in the private sector (which in turn is bathed in the glow of last year's rate of inflation). The public sector pay rises above the going rate announced yesterday are only the obverse of public sector pay rises below the going rate when the economy was racing.

Scale back

The government of the day may find this uncomfortable, especially if it is lecturing employers on the need for prudence. The temptation to scale back this year's awards or phase them in has been resisted – generosity not unconnected with the imminence of an election. The government is to be congratulated on this, however, since the results of such tinkering are all too often low morale and difficulties in recruiting and retaining staff in key public services.

These are exactly the problems facing schools in England and Wales, where teachers this year benefit for the first time from an award by an independent review body. Turnover remains at worrying levels: a survey published in December by Manchester University School of Education found that almost one in 20 teachers left teaching in 1989. More than a third of vacant teaching posts attracted three or fewer applicants during the year – with the figure reaching nearly two-thirds in the south-east.

Attract recruits

There is some comfort in the 90 per cent leap in applications this year for teacher training. But the review body is right to see this as little more than a consequence of the recession. Its task over the next few years will be to ensure that teachers' pay reaches levels which can attract high quality recruits to the profession – and remains at such levels when the economy starts to grow again.

There is particular cause for concern in turnover among new entrants to the profession, one in three of whom leave teaching within the first five years. About half of these subsequently return to teaching – often after starting a family – and the education department is investigating what can be done to lure more back. But higher pay may not be the only solution: opportunities for part-time working, job-sharing and childcare schemes all have a part to play. More needs to be done to keep in contact with teachers who have temporarily left employment for family reasons, including courses to keep them in touch.

There is scope for further use of targeted incentives for experienced teachers, scarce subjects and hard-to-staff schools. The decision to increase substantially the number of primary schoolteachers who receive extra incentive allowances is a good example of how this can be done. The review body promises to put "properly designed performance-related pay arrangements" at the top of its priorities for the next year. The aim should be to pay good teachers much more, and edge out the poor performers.

But the review body is right to insist that only adequate levels of basic pay will recruit and retain enough teachers of the right calibre. When teaching can attract the very best entrants to the labour market, Britain's schools may score better in Europe's league tables.

Why Mr Kohl must act

MR HELMUT KOHL has persuasive reasons for radiating self-satisfaction. Unlike the heads of governments of the US, Britain, France and Italy, he is not in the midst of a debilitating election campaign. He enjoys unprecedented sway over his no-longer-fractious Christian Democrats. The opposition Social Democrats are in some disarray. The domestic economy is faltering, but is not in recession.

Above all, with unification tucked away under his broad belt, Mr Kohl is in the happy position of having achieved a feat of historic grandeur. Mr Kohl may not be the world's greatest thinker or orator. But he has already etched out a lofty place in the annals of German politics.

The widespread perception that he is a success represents, perversely, a problem. Whatever the strains of harnessing the eastern Länder to the west, Germany's economic and social fabric is in a far better state than that of most other European countries. But Germany still faces a series of post-unity challenges which should be accorded the chancellor's urgent priority. There is a danger that Mr Kohl, in the 10th year of his chancellorship, may feel inclined simply to rest on his laurels rather than to tackle these tasks head on. He should strongly resist the temptation.

German leadership is particularly required in the Gatt talks. Mr Kohl must follow up his words in favour of free trade with action to encourage a breakthrough in the Uruguay round – even if it means offending German farmers and damaging Bonn's ties to Paris. As US politicians made clear in Munich at the weekend, there is plainly a link between maintaining free trade and upholding post-Cold war cohesion within Nato.

Trim spending

Another pressing problem is the need to trim public spending in western Germany to bring down the large fiscal deficits which are a principal cause of high European interest rates. Two years ago, Mr Kohl failed to put budget policies on to a sounder footing to finance unity. The current Bonn impasse over Mr Kohl's plans to increase value added tax next year – blocked by the Social Democrat majority in the upper house – threatens the strategy of controlling the deficit. The chancellor's errors in delaying necessary tax increases until after the 1990 election are, however, partly responsible for the mess.

Constitutional reform

More fundamentally, Germany faces the need to reform its constitution. The 1948 Basic Law served the federal republic well during 40 years of division. It now looks too rigid to meet the obligations and requirements of an enlarged, united Germany. Mr Theo Waigel, the finance minister, last week sensibly suggested privatising Telekom, the state telecommunications company, during the 1990s. First, though, the constitution must be altered to allow agencies like Telekom or the railways to operate outside the federal government framework. Similar adjustments are needed to bring constitutional provisions on asylum law and Bundeswehr deployment outside Nato into line with practices of Germany's partners and allies.

Mr Kohl has been talking for more than a year about reform to allow Bundeswehr participation in international peacekeeping. But, highly regrettably, the chancellor now sounds as though he wants to shelve the issue until after the 1994 elections. Constitutional amendments need a two-thirds parliamentary majority, so bruising political tussles with the Social Democrats are inevitable. But the Basic Law will anyway have to be changed as part of plans for European monetary union. Mr Kohl should not duck the opportunity for a wide-ranging debate on all the issues.

His country has reattained nationhood, but not yet found a role. Confusion about the part Bonn wants to play on the world stage is just one reason for international irritation over its stance on Croatia and Slovenia. If Mr Kohl can successfully direct his country towards clearer policies in all these fields, he will deserve respect and gratitude from those within and outside Germany. Otherwise, the laurels of unity may start to wilt.

Tim Coone on the challenges for Ireland's Mr Albert Reynolds

A new broom

Mr Albert Reynolds, sworn in today as Ireland's prime minister, inherits a country saddled with economic and social problems, which have gone unresolved under a divided political leadership for the past decade. Yet he has the opportunity to unify his Fianna Fail party and to revive hopes that, in 1994, it will win its first parliamentary majority since 1979.

Mr Reynolds assumes office at a time when political solutions to the problems of Northern Ireland have entered a vacuum. However, his cordial working relationship with UK prime minister Mr John Major, another pragmatist, may provide scope for new initiatives in the troubled province.

The challenges are enormous. Mr Reynolds inherits record unemployment of 20.3 per cent, twice the European Community average, and accumulated public sector borrowings of I£25.4bn (£23.6bn), or 107 per cent of gross national product. While the debt level has been reduced since 1988, it is still one of the highest in the EC. The challenge of harmonising the Irish economy with its European partners in the run-up to monetary union requires that the debt/GNP ratio must be steadily reduced, and the government has set itself a target of 100 per cent of GNP within two years.

Mr Reynolds's party and the country are also looking to him to clean up the image of pork-barrel politics which for many Irish people had become the hallmark of government in the era of the former prime minister, Mr Charles Haughey.

In five general elections during the 1980s, Mr Haughey failed to win an absolute majority. The party's traditional tenets of republicanism, populism and conservative Catholicism were increasingly out of tune with the aspirations of under-30 voters who form about a quarter of the electorate. In his last term of office Mr Haughey tried to be more European-looking, but internal squabbles left the party weak and defensive.

The surprise presidential victory of Labour party candidate Mrs Mary Robinson in 1990, on a programme of job creation and social reform, was a signal to Fianna Fail.

As the then finance minister, Mr Reynolds led the first push against Mr Haughey in eight years last November. Although he failed to topple him, a rising tide of scandals and controversies forced Mr Haughey to step down two weeks ago. Mr Reynolds faces the task of healing party wounds, stabilising its coalition with the Progressive Democrats and restoring the image of Fianna Fail ahead of the 1994 elections. If he is successful, he could call an early general election.

Mr Haughey's controversial political legacy overshadowed the main success of his government, which was to tighten the reins on public sector borrowing. As finance minister from 1988 to 1991, Mr Reynolds slashed the current budget deficit from more than I£1bn when he took office to I£244m last year. A buoyant economy until the end of 1990, accompanied by rising tax revenues, enabled the government to freeze public spending without incurring significant job losses.

In 1990, the powerful Irish Congress of Trade Unions was persuaded to put its signature to a Programme of Economic and Social Progress (PESP), which promised industrial peace in return for a series of phased pay awards to 1994 and progress in job creation.

The PESP is now under strain. The promised jobs have not materialised and part of the 1992 pay awards have been deferred to keep public sector borrowing under control. Mr Reynolds said yesterday that job creation "will be brought to the top of my political agenda". He was less precise about how to achieve this goal, but he ruled out any big public spending programmes: "That policy was tried before and failed and left us with a big overhang of debt," he said.

Instead, his emphasis is on the creation of "sustainable jobs". Since 1979, when Ireland entered the narrow band of the exchange rate mechanism of the European Monetary System, industry and the services sector have been forced to become more efficient to compete with rival European economies. This has meant a shedding of traditional industries such as textiles and footwear and the introduction of new ones such as pharmaceuticals and electronics. Now faced with declining EC farm subsidies, Ireland's relatively large agricultural population will be looking for jobs in other areas.

Many of these could potentially come from an expected doubling of EC Structural Funds to I£6bn for 1994-99 compared with the previous five years, to pay for improvements to Ireland's deficient road and rail transport systems. Mr Reynolds hopes that, with improved communication networks in place, Ireland will be well-placed to attract inward investment and to capitalise on the EC single market.

Presenting the 1992 budget last week, finance minister Mr Bertie Ahern said his aims were "sustainable economic and employment growth, the preparation for the single European market and Emu, and a better and fairer tax system". He said the "containment of debt and borrowing is not simply a matter of prudent national book-keeping. It is central to the government's strategy for establishing and sustaining economic confidence in all its aspects – confidence in the currency, the confidence to invest and expand".

Mr Ahern's income tax concessions for the lower paid are calculated to increase the personal disposal income of about 1m taxpayers by 2 per cent this year, and at the same time to ease wage pressure in the economy. He sees this move as vital to achieve another goal: reforming the system of wage-bargaining in the public sector. "We have spent 20 years in making annual awards with no increases in productivity. The present system is not giving the required increases in efficiency. [Its change] will be important for public finances in the years ahead," he said.

The budget has won the cautious backing of business and the trade unions. The prospect of such widespread support for his economic policies will give Mr Reynolds more room to bring several outstanding and contentious social issues back on to the political agenda, such as the constitutional ban on divorce and condom sales.

On the condom issue, for example, a proposed bill to introduce sales from slot machines and non-pharmacy outlets has still to reach its first reading in parliament. Sales through pharmacies to over-18-year-olds were legalised in 1985, but their use is not widespread. In 1989, figures supplied by the principal distributors showed total condom sales of about 5m, or about five a year for every adult male. Many pharmacies only sell them from under the counter.

Social reform will be important not just to attract younger voters to Fianna Fail, but also to improve Ireland's relationship with Northern Ireland. Several Unionist leaders in Ulster cite the Catholic Church's dominance of political affairs in the Republic as a reason for blocking any role for the Irish government in Northern Ireland's affairs.

Mr Haughey's trenchant republicanism, epitomised by his accusal and acquittal in an IRA arms trial in 1970, his initial opposition to the 1985 Anglo-Irish agreement, and his stormy interchanges with former UK prime minister Mrs Margaret Thatcher over the H-block hunger strikers and extradition in the early 1980s, did little to endear him to the Unionists in the north.

There will be expectations of fresh initiatives under Mr Reynolds's leadership. He said yesterday he wanted to create more cross-border projects "to build trust between the two communities" and to look for "a possible involvement of the EC" in a new political initiative. "The economic borders of the community will be gone next year, so we have to try to find a structure to allow the political borders to go as well," he said.

However, the possibility of a hung UK parliament after the upcoming general election, with a Conservative government that might have to rely on Ulster Unionist support, is not a prospect likely to encourage political flexibility in Dublin.

Having grasped the leadership nettle, Mr Reynolds has now to prove that he will give the country a fresh start. He is widely viewed as fair and honest. He promises to appoint a new cabinet on personal merit rather than on a basis of repaying political favours. "It will be a government of openness, not defensiveness, a government of consultation and consensus, not diktat. "My overall aim is to create a modern society, progressive, enlightened and socially caring," he said.

These are messages calculated to appeal not only to ordinary Irish people but also to investors in Japan, the US and Europe. It would be a wasted opportunity indeed were Mr Reynolds to compromise them too readily when faced with the political realities of office.

The limits to repression

Robert Graham and Francis Ghilès examine the latest political manoeuvres in Algeria

The trial of strength between Algeria's military-backed government and the opposition Islamic Salvation Front (FIS) has entered a new and dangerous phase. At the weekend the government declared a one-year state of emergency, banning protests and anti-government preaching from mosques.

Tension was already running high following the annulment last month of Algeria's first multi-party elections, which the FIS was poised to win. The latest move will polarise the country further between the "haves" and "have-nots" – the growing army of unemployed.

Until now the authorities have held back from declaring a state of emergency, well aware that it risked plunging the country into a cycle of repression and violence. Instead they sought to isolate the FIS and arrest its leadership, while holding out an olive branch to those within the movement anxious not to see the country destabilised. They hoped to play on divisions within the FIS and expose the extremists, bent on establishing an Islamic society.

This carrot and stick approach also reflected differences within the military. Hardliners led by General Khaled Nezzar, the powerful defence minister, favoured an immediate ban on the FIS. More junior officers, along with some civilian members of the cabinet, were reluctant to acquiesce in a move that would split the country and make nonsense of their 1988 commitment to introducing democracy.

> The authorities are gambling that Algerians will shy away from the threat of civil strife

However, the mounting cycle of country-wide violence with more than 40 killed last week, the continued use of mosques as centres of political protest and the appearance of armed opposition groups attacking strategic installations, undermined this policy.

That it took the FIS three weeks to take to the streets suggests the movement was initially disoriented by the cancellation of elections. It is still hard to tell whether the FIS has developed an underground leadership, or whether the protest is more a mix of spontaneous action by frustrated supporters reacting to the removal of mosque leaders and scattered acts by autonomous armed groups.

In seeking to maintain order, the authorities are gambling that Algerians will shy away from the threat of civil strife. Algeria's Arab neighbours – as well as industrialised countries which rely on its gas exports – clearly share that hope.

The authorities have also sought to combat a potential legitimacy problem by recalling from 28-year exile Mr Mohammed Boudiaf, the veteran independence leader who is untainted by the abuses of power of the former ruling party, the FLN, to head a five-man Council of State.

But to keep the lid on, the military needs to count on the loyalty of conscripts and middle ranking officers. Despite long experience in repression, the military has never had to deal with sustained civil unrest. Nor will administering the country be easy since the FIS controls two thirds of Algeria's local councils.

In the medium term, perhaps the most important factors will be economic. The authorities are hoping for a breathing space to implement economic policies that address opposition grievances: cleaning up the government and increasing spending to provide housing and jobs. The constraints they face, however, are enormous. For each of the past four years, three quarters of Algeria's oil and gas export income has gone towards servicing its $25bn foreign debt. And there is little sign of relief. Authoritative projections show Algerian debt repayments running at around $8.5bn annually well into the second half of the 1990s, compared with annual oil and gas export revenues of $11bn-$12bn.

The only way out of this squeeze is a debt refinancing. This Friday a group of eight commercial banks headed by Crédit Lyonnais will meet in Paris to decide whether to proceed with a $1.5bn loan to help Algeria refinance its bank debt. If they do the government will have a bit more room for manoeuvre.

However, much greater help from western state creditors will be needed if Algeria is to revive its economy. A year ago Italy made a significant gesture, effectively refinancing state guaranteed and other debts falling due between 1991 and 1993. But France, the biggest creditor, has so far refused to follow suit.

The debt squeeze is extremely painful. Many factories are running at one third of capacity, their managers running up large debts with local banks and having to sack workers to stay open. Domestic demand remains severely depressed.

The question remains: will the government be able to channel funds into such sectors as construction and food production? Repressive measures alone will not contain the fundamentalists.

OBSERVER

Royal Bank's odd turn

■ If there was one UK clearing bank which seemed to have cracked the problem of how to own a London merchant bank and not destroy it, it was the Royal Bank of Scotland. So why is it talking about selling its Charterhouse merchant-banking subsidiary?

Charterhouse has thrived while the likes of Hill Samuel and County NatWest have provided nothing but grief for their owners. Royal Bank's capital ratios are stronger than most, so it does not need the money; and anyway now is hardly the best time to get premium prices for banking assets.

Royal says that Charterhouse will benefit from a "larger European dimension". But surely that was supposed to be why the Royal's new chief executive George Mathewson had worked so hard at forging a "European alliance" with Spain's Banco Santander?

The obvious conclusion is that this proves once and for all that the oft-quoted benefits of having a merchant bank and a commercial bank working side by side in the same group are nothing compared with the disadvantages. Even so, however, it still looks an odd move. If one had to choose between owning a mainstream merchant bank in Europe, or a quasi-savings bank in Rhode Island, most bankers would opt for the former.

Yet Royal Bank's new top management team seems bent on doing the opposite.

Cross-bench

■ Never mind the animosity throbbing daily across the front benches in Britain's House of Commons. Political solidarity across the party divide still exists. Both Conservatives and Labour are setting up a fund to ease Birmingham's veteran Labour leader, Sir Richard Knowles, out of a costly libel embarrassment.

Knowles, a feisty but apparently not wealthy pensioner, went out delivering leaflets at a council by-election in June 1990. Unfortunately for him he never bothered to read one. Result: a libel writ from Liberal councillor John Hemming. Consequence: the search is now on for £20,000 to calm the ruffled waters.

Rushing to Knowles's assistance are Roy Hattersley, engineering union chief Bill Jordan, Sir Neville Bosworth, former Birmingham Conservative leader and John Cartwright, the Social Democrat MP. Now is the time for all good men...

Scotch mist

■ The recent opinion poll conducted among Scottish voters for The Scotsman and ITN showed that 50 per cent of them were in favour of independence for Scotland. But the poll also uncovered a certain ambivalence among supporters of the Scottish National Party, whose main policy is for Scottish independence within the European Community.

When given the choice between no change in the existing constitutional arrangements and an independent Scotland within Europe, 8 per cent of SNP voters opted for no change.

Shake-out

■ Meanwhile the mists have descended once more around the Drambuie Liqueur company, maker of the sweet whisky-based drink supposedly derived from a recipe invented by Bonnie Prince Charlie, which a year ago showed signs of emerging from corporate obscurity.

"I hope my white socks don't show in ultra-violet"

At an elaborately staged press conference, the family-owned concern announced a new strategy of diversification, with its purchase of upmarket crystal-manufacturer Caithness Glass being heralded as the first of several acquisitions of Scottish companies making quality products.

Spearheading the change was Peter Shakeshaft, brought in from packaging and games group John Waddington to be finance and development director under the brothers Calum and Duncan Mackinnon, who had recently taken over as joint chairmen of Drambuie - after the death of their father Norman.

Bearded and an accountant by profession, Shakeshaft talked of building a "good solid Scottish group" alongside the liqueur company "over the medium to long term". But the reticent Mackinnons were noticeably absent from the enunciatory proceedings.

Now the 44-year-old import has resigned "to pursue his own interests" but with no alternative job to hand. While he won't say why, it could be that he has found Drambuie distastefully resistant to being either shaken or stirred.

Official inflation

■ The Bank of England is understandably cautious about sticking its neck out. But one trend it cannot ignore is the increasing size of its official history. Sir John Clapham's review of the Bank's first 100 years took 305 pages, and his study of the next century ran to 460. However, historical inflation really took off under Professor Richard Sayers who devoted three volumes, and 1,468 pages, to the period between 1891 and 1944.

The next episode, by former executive director John Fforde, is due out next month, and it is an even bigger blockbuster. Covering the 17-year period up to 1958, it runs to 866 pages. This works out at an average of just over 50 pages per year, compared with Clapham's rate of under three. Oh, and by the way, Observer's calculations understate the dramatic increase. Fforde confines himself to a study of public policy. A separate volume on the Bank's administration over the period is being prepared by Elizabeth Hennessey.

Case in point

■ UK defence secretary Tom King had a rare excuse when he and his Russian counterpart Marshal Shaposhnikov turned up late at 10 Downing Street for a meeting with John Major and Boris Yeltsin during the Russian president's recent visit. King said he and Shaposhnikov had been sampling a prized case of 1939 Crimean champagne, obtained by King's son who works for Sotheby's.

The reactions of the two national leaders were characteristic.

Major: "Are you sure our defence budget can stand this kind of extravagance?"

Yeltsin: "Good God, I thought all that vintage had been drunk by Khruschev."

Balancing Britain's pay scales

David Goodhart assesses prospects for moderation in this year's round of pay negotiations

A negotiator in a south-east London estate agency will be lucky to earn £12,000 this year, perhaps one-third of the amount he or she might have expected in 1988 at the height of the property boom.

But as the annual UK pay round gets into its stride most British companies are likely to find that pay is not responding in such textbook fashion to the recession.

January saw fewer pay freezes and pay cuts than for the same period last year, as pay bargainers pre-empted the end of recession. Most pay analysts say settlements are averaging about 5 per cent, still above inflation at 4.5 per cent, and the public sector is in the middle of one of its periodic pay spurts with an overall increase of 7 per cent expected this year.

The government yesterday accepted pay review body recommendations averaging about 6.5 per cent for 30 per cent of public sector workers, including nurses and teachers. More worryingly, average earnings increases are stuck above 7 per cent, a floor that has not been breached since the mid-1960s.

There has, however, been a sharp fall in pay increases since the beginning of 1991. Average pay rises fell from 10 per cent in December 1990 to less than 5 per cent in the same month last year, echoing the fall in the 1980-81 recession. The Confederation of British Industry, the UK employers' organisation, claims that pay in the all-important manufacturing sector is now growing more slowly than in Germany. Settlements fell to as low as 4.1 per cent in the final quarter of 1991, according to its pay data bank.

The German steel industry settlement of 6.35 per cent agreed last week was noted with satisfaction by UK employers. And the rise in unit labour costs – increases in earnings adjusted for gains in productivity – fell to 6.8 per cent cent in British manufacturing in the third quarter of 1991, narrowing the gap with west Germany's 4.6 per cent for the same period.

That is an encouraging trend, but is largely thanks to divergent economic growth cycles in the two countries and the overheating of the German economy created by reunification. Comparisons of unit labour costs over the past three years, and indeed most of the past three decades, show that annual increases in the UK have usually been between two and three times higher than in Germany.

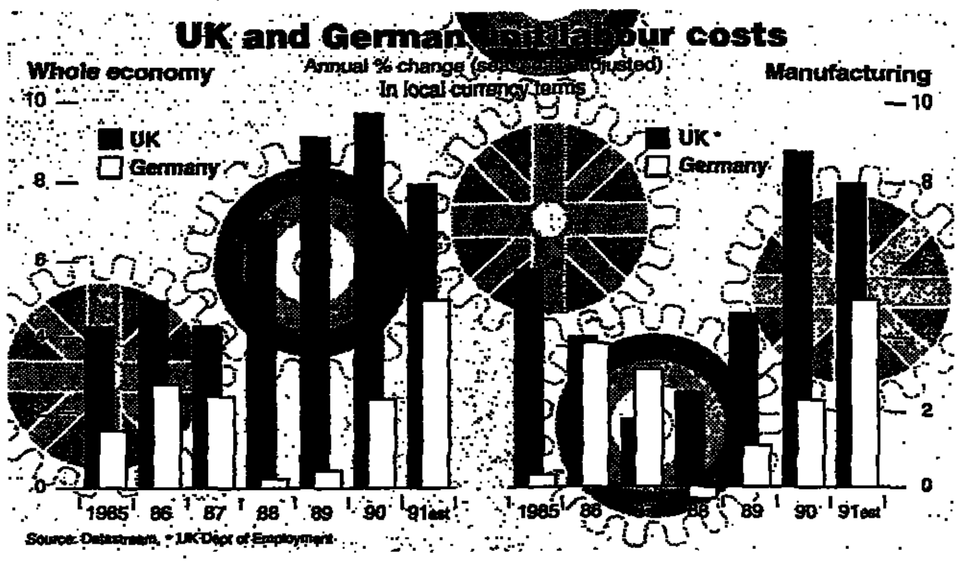
Moreover, the UK's membership of the European Community's exchange rate mechanism requires Britain consistently to match, or even better, the German rates of increase. If UK unit labour costs rise faster than in the main European economies that will create inflationary pressure which, within the ERM, can only be countered by high interest rates and thus unemployment. The job cuts announced last week by Ford UK, which has consistently delivered higher unit labour costs than Ford in Spain and Germany, are a warning.

The effect of ERM membership on pay bargaining has been obscured by recession. The test of bargainers' ability to adapt to ERM constraints will come later this year and next as output is expected to recover.

Have British employers or unions grasped the magnitude of the task? The signals are mixed. The head of personnel at one of Britain's biggest manufacturing companies says that the ERM and European productivity comparisons will play no part in bargaining.

On the other hand, Mr John Edmonds, leader of the GMB general union, says that the ERM is already playing an important role in negotiations, at least in the export sector. "Employers are saying that with devaluation no longer an option what happens in Germany is crucial," he reports.

Union leaders such as Mr Edmonds accept that membership of the ERM requires a reduction in unit labour costs and stress that the way out is not low wages but higher productivity. His answer, and the Labour party's, is more training and consultation at work. Mr Edmonds also advocates consultation at a national level between government, unions and employers to prevent competing wage demands and to influence expectations.



Source: Datastream, * UK Dept of Employment

There has been a sharp fall in pay increases since the beginning of 1991

The CBI remains strongly opposed to such remedies. But Mr Robbie Gilbert, head of industrial relations at the CBI, concedes: "Many employers have not taken the ERM on board." The CBI argues that pay will be squeezed because UK economic growth will be slower in the ERM. The brevity of the early 1980s recession meant that pay was scarcely affected. In 1983, with unemployment above 3m, average earnings were almost twice the inflation level of 4.6 per cent.

But the CBI is not putting its faith in slower growth alone. It believes that the British bargaining system has been revolutionised in the 1980s and Mr Gilbert suggests that "we may be on the way to breaking the wage-price spiral".

The optimists, at the CBI and elsewhere, point to the fact that pay did not rise as much as expected while the economy was buoyant and employers competed for scarce labour between 1987 and 1989. They conclude that labour market and union reforms and the more flexible nature of pay bargaining have left a permanent mark.

The optimists also point to the fact that employers have cut back on training less than in previous recessions and that skill shortages, one of the reasons for inflationary pay awards, may be less acute than usual in the upturn.

An additional reason for hope is that average earnings in the mid to late 1980s were temporarily boosted by a pay explosion for many white-collar and managerial groups, especially in the financial services sector. The fact that this sector is now facing difficulties should act as a brake on white-collar pay for the next couple of years.

That is important because it is not the dwindling band of manual workers in manufacturing that has been stoking up wage inflation over the past decade, but white-collar and professional employees. The real gross earnings of male non-manual workers in 1979-89 rose three times faster than male manual workers.

Non-manual employees outside the public sector are seldom in unions, so it seems that white-collar wages' drift has been more the result of market forces than union pressure. But even among the relatively highly unionised manual workers in manufacturing few analysts expect a revival of militancy – strikes are at their lowest annual level since 1933 – when the upturn comes.

Yet the French experience is a chilling reminder that, even with a revolution in UK pay bargaining, unemployment could remain high. France has held earnings growth below 5 per cent for each of the last five years but still has unemployment at 10 per cent.

And, as the pessimists point out, there are several reasons why that pay revolution will be hard to attain:

● Even if Britain is undergoing a training revolution it will take time before employers no longer have to outbid each other for skilled workers.

● While few doubt that there was a marked improvement in manufacturing productivity in the 1980s, the trend may have run out of steam in the past few years.

● Public sector pay, which now usually matches private sector pay, is due for a medium-term boost which will force manufacturers to keep pace. The reason is that private sector reforms, such as performance-related pay, are now being introduced in the public sector.

In the short run those reforms may increase, not reduce, labour costs. The break-up of national bargaining in some of the privatised utilities has boosted pay while the "regionalisation" of pay has worked one way – paying more in the richer south-east but not less in Liverpool.

Over the next two years the optimists are likely to be proved right, with wage increases continuing to moderate. "But," says Mr John Muellbauer, an economist at Nuffield College, "it will still take years of wage inflation below that of our competitors to make a dent in our lack of competitiveness."

How many years? "It took 20 years to build in inflationary expectations and it will take 20 years to squeeze them out," says the CBI's Mr Gilbert.

Joe Rogaly

Merits of muddle

If political instability does affect investment planning, this could be a grim year. The "if" is there because I do not believe that many chief executives maintain a project file marked "pending the outcome of the election". They will invest when they think it will be profitable to do so. The course of the economy is set. While we remain within the exchange rate mechanism and all parties swear to abide by it, a change of government is unlikely to make much difference – except to the little matter of the chief executive's net take-home pay after tax. A bagatelle.

The counter-argument is that uncertainty about government policies damages confidence and therefore business prospects. If you buy this line, get your head down. An election on April 9 is unlikely to decide anything for certain. Before explaining, let me record that not everyone agrees. One distinguished psephologist privately forecasts a Conservative majority of 100. If so, goodbye British democracy; hello Japan. More seriously, some senior ministers predict a majority of about 40. If they achieve that, we may have stability, but even 40 is difficult to believe given the opinion polls and gloomy reports from the Confederation of British Industry.

The polls still suggest that there will be a hung parliament. Last week's Gallup in the Daily Telegraph gave the Conservatives a five-point lead, while Sunday's NOP in the Independent put Labour four points ahead. But the Financial Times monthly average of all polls had the two larger parties neck and neck in January and so far it is the same in February. The budget might edge up the March and April scores for the Tories.

That could help. Dr John Curtice of the University of Strathclyde postulates a post-spring improvement in the perceived economic outlook and a consequent Conservative lead of 2 per cent in a June contest. His arguments are set out in a paper published by Shearson Lehman. Even with regional swings favouring the government the best his model can offer is a Conservative majority of 10. This falls to −3 if the Liberal Democrats keep only 13 seats (as against 22 won by the Alliance in 1987). Note that Dr Curtice assumes that the election will be delayed until June. It *could* be, but expectations for an early April ballot are now so widespread that the prime minister is just about boxed in.

My guess is still that it will be a very close call, with the Tories likely to come out ahead. If they have a majority of 15 or less then just seven by-elections (the number they have lost in a row since May 1989) would wipe them out. They would be in nearly the same weak-to-unstable position as was Labour in 1974-79. The government would function but it would be obliged to tread carefully. The Ulster Unionists, who in 1977 successfully blackmailed the then Mr James Callaghan into granting Northern Ireland an extra five constituencies, know how to exploit such a situation. Perhaps they would try to get Stormont back, on their own terms.

Only politicians really believe in the beneficence of strong government

Enter Scotland. Some senior ministers argue that even if the Conservatives dwindle to a taxi-ful of MPs north of the border, they can still maintain Whitehall rule. They would try to run Scotland with ministers elected in English constituencies, as they do Northern Ireland and Wales. If they did they would soon learn the meaning of the word instability. Others in the government would grant full independence if a referendum demanded it. "I would expel them," says one minister. Yet others believe that after the election the Scottish Conservative party will become devolutionist, as it was before Mrs Thatcher turned it, and that, if re-elected, Mr John Major would then legislate for a Scottish assembly with tax-raising powers.

Never mind the consequential reduction in Scottish seats – and therefore Labour MPs – in Westminster. That is a detail. The Welsh would quickly be stirred up and suddenly the three main Celtic countries would be trying for varying degrees of disentanglement from direct rule by the English. The minister who put all this in my head believes that for these reasons constitutional debates will take up most of the new government's time and energy if the Tory majority is low.

In a hung parliament there would be more urgent constitutional preoccupations. Say the Tories are the largest party. Mr Major stays prime minister and presents a Queen's Speech. Mr Paddy Ashdown says his Liberal Democrats would vote against it unless it contained a promise of proportional representation and a four-year alliance. Mr Major rejects the bait. All now depends on Mr Neil Kinnock and the Ulstermen.

If they both voted alongside Mr Ashdown in the "no" lobby Mr Major would fall and the Queen could call for the Labour leader to try to form a government. Mr Ashdown might try the same deal with him, and get the same response. But then again Mr Kinnock might accept a pact on PR. Then ... The Liberal Democrat leader has all this on his "war games" computer. Yet the arithmetic suggests that the only sure winners are the Ulster Unionists. So I prefer to put backgammon and gin rummy on my own laptop. Either is more soothing to the mind.

In any case, I would welcome a period of instability. Only politicians really believe in the beneficence of strong government. If you draw a line down the middle of a foolscap page, as Mr Major is wont to do, and write on one side the gains from strong government (with privatisation and Thatcherite trade union legislation at the top) and on the other the losses (start with the poll tax) a pattern emerges. Most of the items on the gains side merely undo what previous strong governments contributed to the list of losses – eg, nationalisation begat privatisation, laxity with the unions begat Thatcherite laws, the poll tax begat its own abolition. Curious, is it not?

LETTERS

Demonstrating funding success

From Mr Christopher Beazley MEP.

Sir, Your leader, "How to grab the EC money" (February 7), highlights the importance to the British government of clarifying the agreement, made in 1975 and put in more explicit terms in 1988, that EC regional grants should have a "genuine additional economic impact in the regions concerned" and "result in corresponding increase in total expenditure".

The differences of interpretation should be relegated to the agenda of the past and, if sustained, can only serve to cause unnecessary political embarrassment to Britain in her evolving EC role.

In the future it is anticipated that the agreed expansion of EC regional programmes will be closely linked to the process of "convergence", which makes it even more important to UK regions currently benefiting from access to EC funding that they demonstrate the success of those schemes, and, where necessary, sustain them in years to come.

Christopher Beazley,
MEP for Cornwall and Plymouth,
The Grange,
Devoran, Nr Truro,
Cornwall

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Hopes for enhancing the security of pensions

From Mr Richard Malone.

Sir, In your leader, "Maxwell's pensions" (February 7), you say that "the pensions lobby" would argue against the principle of pension rights ranking as secured creditors when the sponsoring business fails, because it does not regard final salary pensions as deferred pay.

The assertion confuses two issues. Few people would argue with the principle that the value of accrued pensions rights – the members' stake in the fund as you put it – could be described as deferred remuneration, but that does not in itself resolve the complex question of the ownership of surplus assets in balance of cost schemes. As far as the ranking of pension rights in a liquidation or receivership is concerned, even fewer would argue against the case for further enhancing the overall security of members' retirement provision in occupational pension schemes. In fact, it is to be hoped that such a change in legislation may be one positive development which may emerge from the disastrous consequences of the Maxwell case.

Richard Malone,
director,
Noble Lowndes,
Norfolk House,
Wellesley Road, Croydon

Union restrictive practices as part of UK tradition 'offensive'

From Mr Stephen Lord.

Sir, As a Briton I find it offensive to read of trade union restrictive practices described as a part of our tradition. Ken Gill's letter (February 7) is tinged with racism; he understands the provocative insinuation of the word "alien" well. It is insufficient to reject Japanese work practices merely because they are foreign. They have worked extremely well in Japanese car factories in the US. I am sure many British workers would be glad to show they could compete unshackled by the chains of British unionism. And that is the real point: what kind of dignity have the trade unions provided for British workers? Unemployment, low living standards, and a work environment that no Japanese worker would put up with.

Stephen Lord,
Bankers Trust Company,
Minami-Aoyama 4-13-1 No 201,
Minato-ku,
Tokyo 107,
Japan

Locked into PEP losses

From Mr Ernest G Gobert.

Sir, Having been in PEPs since the day they were first traded I have come to the conclusion that the current increasingly strident advertising could be misleading.

I, and my family, wish we had never heard of them, for we are much out of pocket.

● We deal with several PEP managers. None has ever forwarded reports and accounts of the companies in which they hold shares on our behalf. This is typical of the second-rate service they extend to their PEP customers. No doubt their excuse is that they are dealing here with penny numbers; but that is in the nature of the beast (and why offer the service if they don't like to?).

● At 40 per cent tax and at current yields the costs of our PEPs are probably greater than the tax benefits (at 25 per cent tax the situation would become untenable).

● But what is unequivocal and worse is that we are locked into our loss-making shares: (eg, Lucas −35 per cent; Tarmac −54 per cent; Ladbroke −21 per cent; Pilkington −48 per cent; and my pièce de résistance, warmly recommended by my brokers for one of my PEPs, Adwest −52 per cent).

I could go on. And, of course, these losses cannot be offset against my non-PEP gains.

Ernest G Gobert,
3 Beechwood Drive,
Marlow, Bucks SL7 2DH

Underlying factors creating foundation for future growth in Poland

From Mr Matthew Olex.

Sir, Your news item ("Polish economy declines despite private growth", February 3) deserves elaboration. It focused without comment on 1991 figures from the Main Statistical Office. As in other post-socialist countries, this is notoriously incapable of capturing much private activity in services, industry and agriculture alike, both because of its reach and because of "grey" and "black" evasion. In an economy like Poland's, which some time this year will be more than 50 per cent private, the official numbers are simply not to be trusted.

There is much evidence that unrecorded output in Poland is not just absolutely but also proportionately larger than among its neighbours. The Austrian bank, Creditanstalt, recently estimated that in Poland official 1991 output figures understated the true position by as much as 38 per cent and that consequently GDP was on a rising trend. Whatever the "truth", it is certain that the official negative number of 8-10 per cent overstates the contraction. The Polish economy now appears to be bottoming out.

Your conclusions about rising unemployment and the greater number of pensioners are simplistic. It is not necessarily the case that these reflect a "sharp overall contraction in job opportunities". Of course there is, inevitably, rising unemployment in an economy shifting orientation on a massive scale, and there are numerous unemployment black spots. However, the new non-farm private sector is creating jobs rapidly. Officially, it employs 2.5m and unofficially perhaps a million more, some of whom are surely claiming benefits.

Furthermore, in relative terms pensions are extremely generous. In 1991 pensioners' average incomes were higher than those in working households, and their expenditure rose by a huge 8 per cent in real terms (that of working households was unchanged).

The continued and remarkable boom in exports to the west, up by an (understated?) 18 per cent to $14.2bn, shows extraordinary flexibility in an economy which has had market conditions for only two years. This will be the foundation for future growth. Exports are well-diversified and so far have come predominantly (80 per cent) from the state sector, which has a vast potential for improved efficiency. The private sector accounted for 46 per cent of imports. Those included consumer items, such as the (one-off?) flow of western cars, some 300,000 of the 523,000 sold last year.

But the private sector, as we are seeing in the Polish Development Bank, is now also gearing up for import substitution and export-orientated production, using imported machinery on a large scale.

Matthew Olex,
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FINANCIAL TIMES
Tuesday February 11 1992

Russian parliament to question Gorbachev over suspected plundering of public money

Soviets gave foreign communists $200m

By John Lloyd in Moscow

INVESTIGATIONS into the finances of the now-banned Soviet Communist party have revealed details of its financing of foreign communist organisations and its holdings in Russia.

Mr Yevgeny Lisov, the Russian deputy prosecutor general, told the Russian Parliament yesterday that at least $200m had been paid to foreign communist and other organisations – including "freedom fighters" – since the 1950s.

At the same time, inventories made since the failed putsch in August have revealed party property worth at least Rbs2.5bn ($23m at the current rate of Rbs110 to the $1), with investments in "commercial structures" of a further Rbs7.5bn. Top of the communist party beneficiaries list was the French, receiving $24m, followed by the (tiny) US party, receiving $21.25m, the Finnish with $16.6m, the Portuguese $9.5m, the Israeli $6.5m and the Chilean $6m.

These destinations and figures were listed yesterday by the evening paper Izvestia, which quoted Mr Sergei Aristov, a senior prosecutor on the team investigating party finances.

He said a number of mainly west European Communist parties had received substantial sums over the past decade.

The Izvestia report also says the party possessed 4,228 administrative buildings, 112 party archives, 145 motor pools, 23 sanatoria and rest homes and 206 "other installations", which included special stores and departments with goods for party officials.

The report coincided with attempts by the Russian parliament to question leaders of the former Soviet Communist party – including Mr Mikhail Gorbachev, its former general secretary. No moves have yet been made against party leaders not directly involved in last year's failed putsch.

However, this hiatus could be ending, as anti-communism becomes attractive to the current authorities as a way of redirecting social tension and as investigations throw up evidence of wide-scale plundering of public money by a party which had made few distinctions between itself and the state.

Mr Lisov told the parliament that Mr Gorbachev had authorised the party to invest in small business ventures, quoting from a document to that effect signed by the former general secretary.

Mr Lisov said: "We would like to know whether these investments were made to save the CPSU in case it was forced to work underground."

Senior communists, including Mr Gorbachev, Mr Eduard Shevardnadze, the former foreign minister, and Mr Alexander Yakovlev, a close aide, are expected to be questioned. First in the dock, according to Mr Lisov, will be Mr Boris Ponomaryov, a long-serving head of the Central Committee's international department.

Mr Lisov said the procedure for transmitting the money was a simple one: a Central Committee official would request the money be made available by the Vnesheconombank, or Bank for Foreign Economic Affairs; it would be delivered to the CC headquarters in Staraya Ploshad (now the Russian Cabinet of Ministers), from where it would be taken by an agent of a special section of the KGB's first chief directorate (foreign espionage) to its intended recipient. The agent, true to bureaucratic procedure, would then return with a receipt.

Creditors of BCCI may receive $2.2bn from Abu Dhabi

CREDITORS IN the collapsed Bank of Credit and Commerce International are expected to receive between $1.7bn and $2.2bn from Abu Dhabi, the majority shareholders, as part of a negotiated settlement.

This contrasts with $4bn which the Emirate said it was prepared to pump into BCCI in April 1991, three months before the bank was closed by the Bank of England.

Taken together with the remaining $1.1bn of assets in both of the banking arms of BCCI, BCCI SA in Luxembourg and BCCI (Overseas)in Grand Cayman, this will give creditors between $2.8bn and $3.3bn against the present total of known liabilities of about $10bn.

Creditors will receive compensation in instalments through to 1994.

The full terms of the settlement negotiated between Touche Ross, the BCCI liquidators, and Abu Dhabi emerged yesterday. The agreement will be initialled by both parties, probably at the end of this week.

It will then go to the courts in Luxembourg and Grand Cayman, and the High Court in London for final approval. This is expected to take a further eight to ten weeks to achieve.

The approval period will include consultations with creditors, many of whom are expected to criticise Abu Dhabi's contribution as insufficient.

Once court approval is granted the first payment out of the liquidation with be $300m, which will be shared out in the pooling arrangement.

The agreement is conditional, however on the acceptance of 70 per cent of the creditors, representing about $7bn of liabilities. A September 30 timetable has been set for acceptance of the deal but may be extended to November 30.

However, under the agreement, Abu Dhabi's contribution could rise to a ceiling of $2.2bn, under an agreed formula, if further liabilities are discovered.

The liquidators settled for the payment in preference to the possibility of a long drawn out legal battle.

In return for the payment from Abu Dhabi, the Sheikhdom will receive a release of claims and promises not to sue. Any creditors unwilling to accept would have no access to the Abu Dhabi contribution.

Included in the arrangement is an unsual provision that treats the Abu Dhabi liquidation separately.

The proportion of assets to liabilities in the Abu Dhabi BCCI branches is said to be the same as in the rest of the bank.

The negotiators are still dealing with an estimate of of 30 cents to 40 cents in the dollar recoverable. The deal also includes an arrgement allowing Abu Dhabi to pursue claims against third parties.

Money recovered in such actions will be shared 50:50 with the liquidators after costs have been deducted. Abu Dhabi is particularly keen to trace any funds in ICIC companies.

Trevor Humphries

Peter Clowes (centre left) and Peter Naylor are led in handcuffs from London's Central Criminal Court yesterday. Clowes was found guilty of 18 counts of theft and fraud resulting from the collapse of his investment company, Barlow Clowes. Naylor was found guilty on one count of theft, but cleared of fraud charges. Page 7

Germany calls for check on Britain's EC rebate

By David Gardner in Brussels

GERMANY, by far the biggest net contributor to the European Community budget, is pressing the Brussels Commission to re-examine Britain's budget rebate negotiated in the early 1980s.

The commission is due today to finalise its proposals to raise the Community budget by about a third over the next five years. Germany's demand threatens to revive the revenue row which paralysed EC decision making a decade ago when Mrs Margaret Thatcher, the former UK prime minister, asked to have her money back.

Mrs Thatcher successfully argued that Britain got proportionally less than its equally or more developed peers from the biggest EC budgets, for agriculture and regional development.

The UK rebate was worth Ecu2.4bn in 1990 and Ecu3.3bn ($4.25bn) last year, according to UK officials.

Last week, a senior Commission official warned that "we are already beginning to smell" that Germany – concerned by the mounting cost of unification, and demands that it should pay more through the EC to help the poorer southern countries prepare for economic and monetary union – wanted to reopen the UK deal. German officials confirmed yesterday that they had raised the matter with Brussels.

At the Maastricht summit in December, Chancellor Helmut Kohl pointed out testily that Germany would be contributing a net Ecu9bn to the Ecu66bn budget this year. Precise details on net contributions are closely guarded by the Commission, which wants to avoid "the Community being seen as a business," a senior official said.

The incomplete figures published by the EC court of auditors for 1990, however, show Germany contributing a net Ecu5.5bn, the UK paying a net Ecu3.4bn, and France a net Ecu1.8bn.

Two of the main purposes of the new mid-term financial plan for 1993-97, due to be presented to the European Parliament on Wednesday, are to double regional aid funding for Spain, Portugal, Ireland and Greece.

Clash over German interest rates

Continued from Page 1

ministers yesterday, paints a picture of the EC only gradually pulling out of recession with average 2.25 per cent growth this year, not fast enough to prevent unemployment rising to 9 per cent.

This is just half the current rate in Ireland, whose turn it was yesterday to come under the "convergence spotlight".

This process of periodic discussion of an EC state's programmes and prospects is designed to exert peer pressure on ministers and governments so that they meet the convergence targets prescribed in the Maastricht monetary union treaty.

Ireland was commended for combining "a catching up process with the successful pursuit of monetary stability."

It was, however, warned to watch its public finances and to stick to its aim of bringing the ratio of debt to gross domestic product down to 89 per cent in 1993, from 118 per cent only five years ago.

The Irish jobless rate had recently got much worse because of recession in the US and the UK, traditional outlets for a workforce growing at three times the EC average.

West steps up Soviet aid effort

Continued from Page 1

ident, last week should be no less than $17bn.

Yesterday's aid shipments included US supplies left over from the Gulf war. In addition Japan delivered 12 tonnes of food and medicine to Khabarovsk in the Far East, while Germany – the biggest aid donor over the past two years – flew in another 100 tonnes of supplies to Moscow.

Britain shrewdly directed its aid to Ekaterinburg which, under the name of Sverdlovsk, was the birthplace of Mr Yeltsin.

The problems in ensuring that the aid reaches the right recipients was vividly demonstrated over the weekend when five German trucks carrying food aid for schoolchildren were held up from Friday to Sunday in Chelyabinsk, in western Russia. The convoy lacked a pass to get through the town and customs officials could not be found to issue one.

Only the threat that the trucks would return to Germany was enough to get a local official to issue a document and to promise punishment of the dilatory customs officers.

Opening of Channel tunnel put back to end of 1993

By Andrew Taylor, Construction Correspondent, in London

THE Channel tunnel, which has been beset by bitter rows over sharply rising costs and delays, is expected to open in the autumn next year – several months later than had been planned.

Eurotunnel, the Channel tunnel operator, yesterday blamed contractors for the delay. The opening which had been planned for June 15, 1993 will now miss the peak season summer traffic.

The company said that it would not be able to provide a full service to meet peak summer-time passenger demand until mid 1994. It is the first time it has addmitted that the project will not open on schedule.

Eurotunnel said that it will offer a restricted service from September or October next year provided: "contractors meet programmes for installation and commissioning currently under discussion."

The announcment prompted an angry retort from Transmanche Link (TML), a consortium of five British and five French contractors building the project, which said: "Any implication that the delayed opening of the tunnel is attributable to construction difficulties on the part of TML is wholly untrue."

Eurotunnel's share price fell 22p following the announcement but had recovered to 454p by last night's close, a fall of 11p on the day.

TML is claiming extra payments of more than £1bn ($1.8bn) at 1985 prices to cover the cost of the private-sector project which since 1987 has risen from £4.7bn to more than £8bn – allowing for the impact of inflation and interest charges.

Negotiations between TML and Eurotunnel to resolve differences over the cost and timing of the project have been taking place since October but have still to be resolved.

Eurotunnel said yesterday that substantial progress had been made by contractors during the past four months on installing signalling, track, cooling systems and other fixed equipment into the twin rail tunnels. Installation delays, according to contractors, have been reduced to about 10 weeks compared with three to six month delays quoted by Eurotunnel last autumn.

The main problem facing the project appears to be delays in providing a fleet trains.

Eurotunnel was told last week that BR and SNCF, the British and French state-owned railways, would be unable to provide a full rail service until summer 1994.

Changes in the design of Eurotunnel's own shuttle wagons, requested by the Channel tunnel safety authority, means that it also will have insufficient rolling stock to meet peak demand.

Eurotunnel last autumn cut by £147m its revenue forecast for the years 1993 to 1996 to take account of reduced services during the first months of operation. It said last night that it was looking at the figures to see if a further revenue reduction would be appropriate.

THE LEX COLUMN

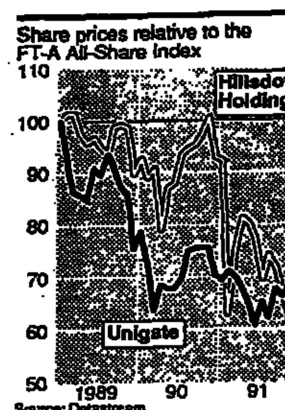
Tobacco puffing under threat

Today's vote in the European Parliament on the banning of tobacco advertising raises the question of how seriously the equity market should take the anti-smoking lobby. Certainly, the spectacle of one of Europe's more politically powerful industries quivering before an institution once described as the mother-in-law of parliaments is thought-provoking. The verdict of the Strasbourg assembly may not be the final word. But if its record on other emotive issues like lead-free petrol is anything to go by, it will influence thinking in the Council of Ministers later this year.

The problem for investors is working through the implications of a total ban. At face value, the industry's propaganda suggests that advertising is a minus sum game, aimed at brand recognition and market share rather than total consumption. BAT and Rothmans do not disclose the size of their budgets. Perhaps 5 per cent of net sales is a fair guess, or £30m-£50m in the case of BAT's European business. It is instructive to recall that when tobacco advertising was outlawed in Canada, volumes fell but profits increased.

In the longer term, of course, companies will no doubt find other ways of spending the money. Marketing effort will move to the point of sale, with price discounts likely to displace newspaper and billboard advertising. The multinationals, moreover, will be at a disadvantage against state monopolies in France or Spain. On the whole, though, the correct response by investors to a ban seems to be to sell advertising agencies.

FT-SE Index: 2,538.4 (+21.2)



Source: Datastream

UK economy

It looks as though the government cannot pull decisively ahead in the polls without taking some calculated risks in economic management. A tax-cutting budget and lower interest rates are not the most obvious prescription, given sterling's weakness in the ERM. But they might be warmly received by the foreign exchange market if they made a Tory victory appear more likely. That would be the kind of virtuous circle the government badly needs. Yesterday's consumer credit and retail sales figures were a rude reminder that there is precious little reason for the voters to get spontaneously excited.

If so, the government may be tempted to cut interest rates before the budget. Otherwise it would be too late for lower mortgage rates to be in place before an April election. Indeed, they already need to be effective by budget day to affect the retail price index before a May 7 poll. That explains why some money dealers believe the Bank of England is now testing the water for a possible rate cut.

But it would be dangerous to infer that a cut is actually imminent. Sterling may have ridden out December's German rate increase; the peseta may also be only a distant threat, since it seems to move obediently in line with sterling. But the surest way of losing the election would be a botched rate cut followed by a currency crisis. That risk calls for delay until the last possible moment. There is still some time left, though not much, if the government is to maximise the political advantage of a cut and retain the option of going for April 9.

Unigate/Hillsdown

Hillsdown's purchase of Unigate's chicken business is a faintly depressing answer to a long-standing problem. Unigate's massive investment in poultry looked dubious from the outset. The outcome is a cumulative loss after the sale of some £60m, or roughly a year's net profits. Hillsdown will meanwhile pay an initial £19m for a business which lost £7m last year, chiefly as a means of protecting its own investment and reducing overcapacity.

Assuming no objection from the Office of Fair Trading, Hillsdown will end up nearly doubling its share of the UK chicken market to 22 per cent, three times that of its nearest competitor. It will also leave itself dependent on the notoriously cyclical poultry market for a fifth of worldwide turnover. There will obviously be extensive closures, perhaps more among Hillsdown's older plants than Unigate's. The aim of adding value to several hundred thousand tonnes of chicken meat a year may prove more elusive.

Taken all round, the deal is a sharp corrective to the view that food stocks are defensive because people have to eat. Since the onset of the recession 18 months ago, Unigate's shares have underperformed the market by 20 per cent, Hillsdown's by 45 per cent. In that period, Unigate has been increasingly forced back on its original dairy business. In the same period Unigate's chief competitor in that business, Northern Foods, has outperformed the market by two thirds. Whatever the industry, it seems, there is no substitute for management.

Lasmo

Shaping a single exploration entity from the ungainly mixture of Lasmo's and Ultramar's assets was always going to be a long job, if only because it looked as if the unwanted parts would be hard to sell. Judging by yesterday's settlement with the vanquished Ultramar board, Lasmo is meanwhile making a good enough fist of cutting the group's costs. Granted, two Ultramar directors have still to agree terms, so an already steep £8.1m severance charge will rise further. A provision at the year end for middle management redundancies could further spoil the picture. But the market was braced for the boardroom pay-offs alone to cost nearer £20m, so at this stage the deal looks comparatively cheap.

Lasmo also appears in recent weeks to have talked down expectations of the sale price for Ultramar's downstream businesses. A halved figure of £700m for the Wilmington refinery in California and the US and Canadian retail operations looks realistic given the continued weakness of the market for oil assets. While Lasmo will have to warehouse the businesses for the foreseeable future, it could conceivably benefit when a buyer eventually emerges. Until then, the assets will at least be self-supporting.

The more important trick of persuading investors to be patient in the short term may prove rather harder. But if Lasmo can pull it off, its shares should at least continue to hold their own against the market.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	13	55
Algiers	S	16	61
Amsterdam	F	6	43
Athens	S	11	52
Bahrain	S	20	68
Bangkok	F	33	91
Barcelona	S	13	55
Beirut	C	10	50
Belfast	F	5	41
Belgrade	S	11	52
Berlin	C	9	48
Biarritz	S	15	59
Bombay	S	28	82
Bordeaux	C	13	55
Boulogne	F	8	46
Brussels	F	6	43
Budapest	F	5	41
Buenos Aires	R	29	84
Cairo	F	12	54
Cape Town	S	29	84
Caracas		-	-
Casablanca	S	17	63
Chicago	C	-1	30
Cologne	F	7	45
Copenhagen	C	5	41
Corfu	F	13	55
Dallas	F	6	43
Dublin	C	6	43
Dubrovnik		-	-
Edinburgh	F	5	41
Faro	S	17	63
Florence	F	10	50
Frankfurt	R	5	41
Geneva	C	7	45
Gibraltar	C	15	59
Glasgow	F	6	43
Helsinki	Sn	0	32
Hong Kong	C	15	59
Innsbruck	F	4	39
Inverness	S	4	39
Islamabad	F	18	64
Istanbul	S	5	41
Jakarta	R	32	90
Jersey	S	9	48
Johannesburg	S	27	81
Lima	C	27	81
Lisbon	Fg	7	45
London	F	9	48
Los Angeles	F	12	54
Luxembourg	C	4	39
Madeira	S	18	64
Madrid	S	10	50
Majorca	F	15	59
Malaga	S	15	59
Malta	S	15	59
Manchester	F	7	45
Manila	F	32	90
Melbourne	S	10	50
Mexico City	S	24	75
Miami	F	16	61
Milan	F	4	39
Montreal	F	-14	7
Moscow	C	-5	23
Munich	C	5	41
Nairobi		-	-
Naples	F	14	57
Nassau	R	21	70
New Delhi	S	17	63
New York	S	-9	16
Nice	S	15	59
Nicosia	S	12	54
Oporto	F	11	52
Oslo	R	2	36
Paris	F	8	46
Peking	S	4	39
Prague	C	6	43
Reykjavik	S	-7	19
Rhodes	S	13	55
Rio de Janeiro		-	-
Rome	C	14	57
Salzburg	F	8	46
San Francisco	C	11	52
Seoul	S	5	41
Singapore	F	31	88
Stockholm	Dr	2	36
Strasbourg	C	8	46
Sydney	Dr	23	73
Taipei	R	15	59
Tangier	S	17	63
Tel Aviv	C	5	41
Tenerife	S	19	66
Tokyo	S	9	48
Toronto	S	-15	5
Tunis	S	16	61
Valencia	S	15	59
Venice	F	5	41
Vienna	F	3	37
Warsaw	S	6	43
Washington	S	-7	19
Zurich	S	8	46

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

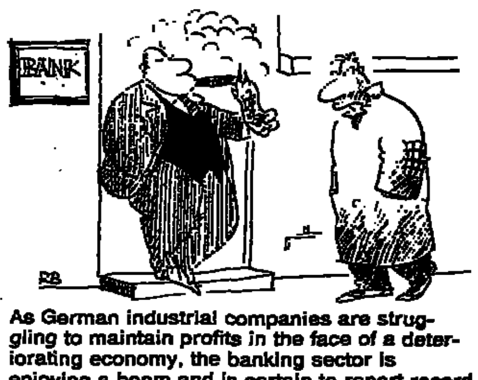
Whirlpool profits rise despite flat demand

In spite of a declining market in the US for home appliances and flat European demand, Whirlpool, the world's largest maker of large domestic appliances, announced after-tax profits of $170m for 1991, compared with $72m in 1990. Page 19

Ratners restructures in UK

Mr James McAdam, who last month became executive chairman of Ratners Group, announced a move to restructure the group's UK jewellery operations under a single management board. Mr Gerald Ratner, former chairman, will resume a more direct executive role by chairing the new board. Page 22

Prosperity for German banks



As German industrial companies are struggling to maintain profits in the face of a deteriorating economy, the banking sector is enjoying a boom and is certain to report record profits for 1991. Even as bank workers are being balloted on strike action, Deutsche Bank's dividend increase shows that the banks feel no compulsion to hide their prosperity. Page 18

Cap Gemini bids for rival

Cap Gemini Sogeti, Europe's largest computer services group, is making a friendly SKr500m ($88.3m) for Programator, the French group's chief competitor in Scandinavia. Page 18

Spurs scores a profit

Tottenham Hotspur, the north London football company which recently returned from stock exchange suspension after a financial rescue, announced its first pre-tax profit for two years yesterday. In the six months to November 30 it made £810,000 pre-tax ($1.5m), compared with a loss of £2.14m. Page 23; Football bonds, Page 23

Opec poised for tough talks

Ministers from the Organisation of Petroleum Exporting Countries (Opec) face their toughest meeting since the Gulf war tomorrow against a background of weak oil prices and stagnant world demand. Page 24

Foster's goes flat

Foster's Brewing, Australia's dominant brewer, recorded almost static earnings for the first half to December as losses continued to plague its shrinking agribusiness and finance operations. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Deutsche Bab	174.4	+	5.4	Accd Entrepr	1103	+	183
Falls				Essx	1436	+	116
Colonia Konzn	1060	–	20	Immobanque	697	+	17
Hochtief	1200	–	28	Perrier	1501	+	105
Metallgesellsch	410.1	–	16.7	**Falls**			
Philips Kommun	570	–	10	Damart	2500	–	100
Rheinmetall Ber	290	–	5	Radiotechn	540	–	14
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Hercules	49⅛	+	1⅞	Tachi-S	1100	+	70
Argonaut	27½	+	2½	Towa Meccs	430	+	38
Falls				**Falls**			
BankAmerica	39⅞	–	⅛	Ando Electric	1480	–	100
MGI Pharmaceut	10¾	–	11⅝	Fukusuke	1250	–	100
Security Pacif	32½	–	½	Takiron	721	–	49
Software Tech	6¾	–	½	Torisky Indl	1000	–	80

LONDON (Pence)							
Rises				Racal Elec	55	+	4
Airtours	250	+	14	Totten'm Htspr	90	+	8
Albrighton	17	+	6	Wace	125	+	20
Amber Day	86	+	4	Welsh Water	383	+	11
Baldwin	88	+	5	**Falls**			
Bimec	75	+	3	Burton	37½	–	2
BP	295	+	10	Conroy Pet	61	–	4
Cattle's (Hld)	72	+	3	Eurotunnel Uts	454	–	11
Electric Data	448	+	21	Low (Wm)	261	–	13
Elliott (B)	7½	+	2	Monarch Res	73	–	7
Hay (Norman)	21	+	2	Nu-Swift	418	–	26
Microvitec	21½	+	2	Royal Ins	232	–	11
Mountleigh	9½	+	2½				
Park Food	518	+	25				

Time Warner reduces net loss by 56%

By Alan Friedman in New York

TIME WARNER, the large US media and entertainment group, sharply reduced its net loss last year, from $227m in 1990 to $99m for the whole of 1991.

The lower loss was achieved partly as a result of lower debt servicing thanks to a $2.6bn rights issue last year that reduced total debt to $8.7bn.

The company, which had almost unchanged operating profits of $2.26bn for 1991, recorded a $9.60 loss per common share in 1991. This followed payments of dividends on preferred stock *issued in January 1990 as part of* the completion of the merger between Time and Warner.

This loss per share (against a $13.67 loss per share in 1990) translated into a deficit of $692m following the preferred dividend payout.

Revenues for 1991 were $12bn, up from $11.5bn in 1990. Operating income from publishing, which includes Time magazine, fell to $246m in 1991, from $366m in 1990. The other four divisions – music, filmed entertainment, Home Box Office (HBO) television programming and the cable business – *all* recorded higher operating profit last year.

Time Warner said it had $45m of net income in the last quarter of 1991, compared with a $34m loss in the same period in 1990.

Mr Steven Ross, chairman, said this was the first time since the *merger of Time and Warner that* net profits had been achieved for the quarter. Fourth-quarter 1991 revenues were $3.4bn, against $3.3bn in the last quarter of 1990.

The loss per common share after preferred stock dividend payments was $1.16 (compared with a $3.08 loss per share in the *last quarter of 1990*), which translates into a $107m loss, down from $177m.

Mr Ross said the fourth-quarter net profit had been achieved even after a substantial non-cash amortisation charge associated with the 1989 merger; for the *whole of 1991 this charge was* more than $500m.

The publishing division was affected by declines in advertising revenues and a $60m restructuring charge in the third quarter of 1991.

The Warner music division, although boosted by non-US sales, earned $560m in 1991, against $558m in 1990. This reflected termination of two label distribution agreements and start-up costs of new labels.

The Warner Brothers motion picture division achieved $390m of 1991 earnings, up from $377m *in 1990*.

The HBO programming division had $195m of 1991 profits, up from $182m in 1990. The cable TV business posted $872m of 1991 profits, up from $769m in 1990.

On Wall Street, Time Warner's share price closed down $⅝ at $98⅝.

Swiss Volksbank falls due to MCC provision

By Ian Rodger in Bern

A PROVISION to cover a $73m loan to Maxwell Communication Corporation (MCC) was among the main factors contributing to a slump in the 1991 profits and a dividend cut at Swiss Volksbank, Switzerland's fourth largest commercial bank.

Total provisions soared to SFr393.8m ($281.7m) from SFr157m in 1990. Mr Walter Rüegg, president, did not mention the Maxwell loan specifically, but he said provisions were "much larger than we forecast in the autumn". The bank's cash-flow rose 27 per cent to SFr382.9m, but net income plunged 38.3 per cent to SFr68.4m. The directors proposed a dividend of SFr40 per share.

Volksbank's provisions do not include any allocation for its $35m loan to a Maxwell private company last November, and against which it received 13 per cent of the shares of Berlitz, the language school subsidiary of MCC, as collateral.

MCC had previously agreed to sell its holding in Berlitz shares to a Japanese company. Volksbank said yesterday that its loan to the Maxwell private company had been liquidated and the Berlitz shares were being held until a buyer could be found.

Last week, Berlitz adopted a "poison pill" scheme to deter an unwanted change in the control of the company as a result of sales by Volksbank and other banks holding large blocks.

Volksbank takes stake, Page 18

Martin Dickson on moves towards financial health

US business turns leaner and meaner

The euphemisms vary but the song remains the same: whether it is called "restructuring", "downsizing" or "reshaping to better meet the challenges of the 1990s", corporate America is swallowing a medicine-chest full of special charges aimed at improving its long-term financial health.

A succession of large fourth-quarter restructuring charges have been reported over the past few weeks by companies as varied as Bethlehem Steel, the second largest US steel producer; United Technologies, the aero-engine manufacturer; Du Pont, the chemical group; CSX, the railway operator; Kodak, the photographic group; and Xerox, the image reproduction company.

And one of the biggest is yet to come: General Motors, the largest company in the US, is expected to take a pre-tax write-off approaching $3bn over the next week or two when it reports a huge 1991 loss.

The fourth quarter of any year is traditionally the time of heaviest write-offs, but the previous quarters of 1991 have also produced some big hits against earnings.

In the third quarter, for example, they came from companies as varied as Citicorp, the bank, American Express, the charge-card business, Tenneco, the industrial conglomerate, and the Union Pacific Railroad.

In short, 1991 will go down as a record year for charges by corporate America.

But why, and what does this tell us about the future competitiveness of US business?

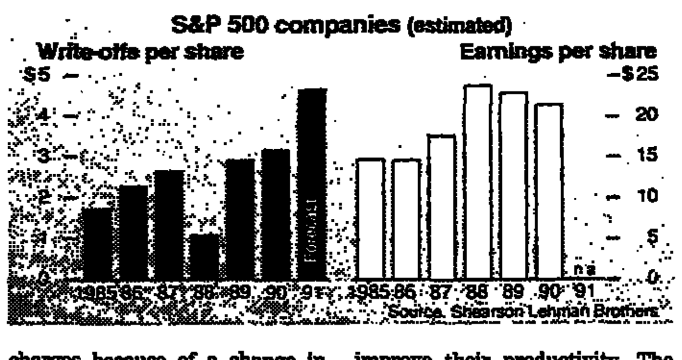
First, some statistical history: charge-offs by US companies last showed a big upward leap in the mid-1980s, peaking in 1987 when the companies which make up the Standard & Poor's Index of 500 large US businesses collectively wrote off a net $2.65 a share, compared with reported earnings of $17.50, according to estimates compiled by securities house Shearson Lehman Brothers.

The causes were many and complex, and included bank write-offs of Third World loan losses, big restructurings by heavy manufacturing industry and telecommunications, the restructuring of the chemicals sector and $4.9bn of charges from oil company Texaco, stemming mainly from a legal battle with Pennzoil.

The level of charges dipped in 1988 but have been on an upward trajectory every since, reaching $3.17 a share in 1990, compared with earnings of $21.34, and are expected to end at around $4.70 a share for 1991.

The figures include charges from many factors other than corporate restructurings. Over the past two years, for example, banking and securities industries have had to write off many bad loans made to the property sector and leveraged buy-outs in the late 1980s, and there have been some big provisions for settlement of legal disputes.

Furthermore, from 1991 companies have begun taking big charges because of a change in the rules on their accounting for health benefits for retired staff.



These charges do not involve any drain of cash and neither do many of the big write-downs taking place to cover plant and equipment. So, while corporate America is paying out large sums in redundancy, the figures being reported by many companies are somewhat misleading in terms of cash flow. And this helps explain why the stock market tends to shrug them off, or even buy a company's shares on restructuring news.

There seem at least six intertwined reasons for this degree of restructuring.

- First, and probably most important, such action is hardly surprising at this point in the economic cycle: the US has been in or near recession for more than 18 months, and many companies which face severe competition and price pressures, or have lost market share, need to improve their productivity. The fat they were able to carry in the 1980s, during the longest US economic expansion on record, is now simply too heavy.

General Motors is a prime example of this. During the 1980s its share of the US car market plunged from around 47 per cent to 35 per cent but its financial strength in a booming market allowed it to put off the rationalisation this loss of customers demanded.

Now it has to bite the bullet, and the charge it is likely to make this month will help cover the cost of cutting 70,000 jobs and closing 21 plants.

- Second, the restructuring charges of the past few years are a response to the takeover wave of the 1980s. During the second half of that decade companies which looked vulnerable to a bid by corporate raiders set about improving their efficiency, as well as erecting a panoply of anti-takeover devices.

The takeovers which did occur, whether launched by raiders or industrial bidders, left the merged companies with plenty of scope for rationalisation.

The takeover wave ebbed dramatically in 1991, but the year nevertheless produced a succession of banking mergers which led to large restructuring charges, as well as AT&T's takeover of computermaker NCR, which produced a $4.2bn charge.

- Third, restructuring charges in some sectors stem simply from secular decline. This is particularly so in the US defence industry, which is having to adjust to an era of rapidly shrinking Pentagon equipment budgets.
- Fourth, many companies are restructuring because of growing foreign competition as world markets become more global. Again, the Detroit motor industry, under increasing pressure from Japanese rivals, is a prime example.
- Fifth, technological changes are forcing companies to adapt. Bethlehem Steel, for example, has made more than $1bn of charges in the past two years to cover the restructuring of businesses where it is no longer competitive with mini-mills, which use more efficient production methods.
- Sixth, unlike the restructurings of the mid-1980s, this one is hitting America's service industries – ranging from banking to fast-food outlets – which are expected to face big productivity pressures through the 1990s.

For example, the large charges by the railroads are mainly to cover a change from three-man crews to two-man crews.

All this would appear to bode well for corporate earnings over the next few years. Most of corporate America should emerge from recession leaner and fitter.

Mr Michael Sherman, chief investment strategist at Shearson Lehman, says: "If we're right about recovery this summer, we will see a large remission in terms of write-offs."

He also points out that the US has hardly been ignoring capital investment during this period, which has far outstripped write-offs in terms of dollars per share. Furthermore, many companies may be taking larger write-offs than they need immediately to cover trouble they see ahead.

"They think that if they're going to disappoint shareholders with earnings now, they might as well go the whole hog," says David Blitzer, chief economist at Standard & Poor's.

The lesson for the rest of the world, then, is that US industry is likely to emerge from recession a tougher competitor.

Mr Neuhauser of KPMG Peat Marwick argues that many US businesses which have restructured are now in a better competitive position than foreign rivals, especially those in Europe, where he sees large amounts of underused plant and assets.

"My assessment," he says, "is that we will see a lot more of this coming in Europe."

Motorola, Northern Telecom launch joint cellular venture

By Alan Friedman in New York

MOTOROLA, the leading US electronics and semiconductor manufacturer, and Canadian-based telecommunications group Northern Telecom yesterday unveiled plans to pool more than $200m of assets and form a joint venture to market cellular telephone network systems in North and South America.

The venture is aimed at stepping up competition against American Telephone and Telegraph (AT&T) and Ericsson of Sweden, market leaders in cellular switching.

The new company, Motorola-Nortel Communications, is expected to have 1992 sales of more than $500m, said Mr William Spencer, a Motorola vice-president who will be chief executive of the 50-50 venture.

He said the venture would sell, service and support cellular infrastructure systems in north, central and south America.

The venture, which will not sell portable telephones, will be based in Chicago. About 600 Motorola and 300 Northern Telecom employees will be transferred to the venture.

Motorola will bring cellular radio expertise to the venture, while Northern Telecom's strengths are in digital switching. The companies said this meant the venture would allow Motorola to lower its investments in switching products and increase spending on radio frequency cell systems.

The partnership will begin operating in the second quarter this year and the introduction of a unified product line is forecast *for early 1993. The plan is to* achieve connected systems that can access either Motorola's NAMPS technology or Northern Telecom's TDMA systems.

By early next year Northern Telecom's DMS-MTX cellular switching products will be linked to Motorola's HD-II AMPS/NAMPS cell-site equipment.

Mr Michel Guiter, a vice-president of investment bank Dillon Read, said the venture formalised "what had been a less formal indication over the past couple of years that the two companies are *willing to work together*".

The North American cellular telephone network sector is estimated to have annual sales of around $1.4bn, with a compound growth rate of around 40 per cent a year.

On Wall Street, Motorola's *share price closed up $¾ at $81.* Northern Telecom's share price was $47⅝, up $1⅛.

Ultramar directors to share £6.7m

By Deborah Hargreaves *in London*

LASMO, the independent oil exploration company, announced it had paid £6.7m ($12m) to seven Ultramar directors, in one of the biggest post-takeover payments in British corporate history. The payment was *made to terminate* the contracts of the directors after Lasmo took over the diversified oil and gas group in December.

Lasmo will also pay £1.4m to top up the directors' pension funds. Lasmo has already paid £886,000 *in compensation to former* chairman, Mr John Darby, and Lord Remnant who resigned from the board at the end of October amid controversy over directors' remunerations.

Most of the compensation is understood to have gone to Mr David Elton, Mr Peter Raven, *former* finance director, and Mr Eugene O'Shea who all resigned from the Ultramar board at the end of January.

Mr Jean Gaulin, Ultramar chief executive, and Mr Nick Di Tomaso, senior vice-president in charge of refining and marketing, received a *payment for terminating* their Ultramar contracts, but have agreed to remain with the company on new contracts with a month's notice.

Two non-executive directors share in the pay-out: Mr Ronald Utiger and Mr Bernard Ness.

The payments *include £4.8m* for terminating contracts, £1.9m for pension contributions, £35,000 for loss of office and £67,000 for other benefits.

Lasmo said the settlement was not as large as it could have been because directors were accepting two *and a half years'* salary rather than three to which they were entitled.

The company still has to agree a deal with Mr Lloyd Bensen, former chairman who had remained on the board and resigned in October. His pay-out could be as much as $3m.

Mr Robert Bland could qualify for a payment of more than $1m, but agreed to remain with Lasmo to work on the Indonesian operations. Mr William Sheptycki will work on Lasmo's North Sea operations until he retires in April.

The company has added the directors' payments to the cost of its £1.1bn takeover of Ultramar together with provisions for severance and redundancy payments to other employees as a result of the restructuring of Ultramar's operations. The company said it *had made* progress in integrating Ultramar.

Lex, Page 16

Italcable sounds cautious note on earnings for year

By Haig Simonian in Milan

ITALCABLE, the Italian state-owned company which operates most of the country's international telephone services, has struck a cautious note about net profits for 1991, despite a 13 per cent rise in traffic last year.

The caution stems from last year's 20 per cent cut in international phone charges which, according to analysts, will bite into earnings for the year. At the interim stage in 1991, Italcable's turnover fell 1 per cent to L341bn ($290.4m), despite a 12 per cent traffic increase. Pre-tax earnings dropped 9.3 per cent to L136bn.

In a letter to shareholders, the company said turnover had remained at "a good level", despite the tariff cut and would allow the payment of an "adequate" dividend.

Financial revenues from treasury operations rose by around 16 per cent last year.

● Stet, the Italian public-sector concern which controls the state's telecommunications interests, is loosening its hold on SIP, the main telephone utility, in a further partial privatisation.

Stet's stake in SIP's savings shares will fall from 53.6 per cent at present to 33.1 per cent under the terms of a L400bn convertible Eurobond to be issued this month.

Precise details of the issue, which will carry warrants convertible into SIP savings shares, have not been released. However, the exercise price for the warrants will be set between 104 per cent and 110 per cent of the average price for SIP savings shares in the five days before the issue.

The deal, which will lower Stet's overall share of SIP's capital to 53.5 per cent from 58.4 per cent at present, follows a $275m international equity offering of savings shares in Stet itself last June.

Once all associated warrants are exercised, that transaction would reduce to around 30 per cent the stake in Stet's savings shares owned by the IRI state holding company.

Hillsdown to purchase Unigate's poultry unit

By Guy de Jonquières, Consumer Industries Editor

HILLSDOWN Holdings, the diversified food group, has agreed to buy J. P. Wood, Unigate's loss-making chicken operation, for a maximum of £36.7m ($66.42m).

The deal will make Hillsdown Britain's largest chicken producer, with almost a quarter of total production, and will end Unigate's troubled involvement in the industry.

Hillsdown, which already owns the Buxted poultry business, is expected to embark on far-reaching restructuring of the merged operations. This is likely to involve cuts in output.

Hillsdown will pay £18.5m immediately in cash and a further £8.2m over three years, subject to a working capital adjustment. It has also agreed to pay up to £10m if the merged businesses meet specified performance targets in the three years after the merger.

The company plans to fund the purchase out of the proceeds of last autumn's £280.7m rights issue.

The deal marks the completion of a nine-month search by Unigate for a buyer for the business, which lost £6.6m in the year to March 31.

Unigate said the losses incurred since then, and the write-down of assets resulting from the sale, were covered by a £87.9m provision for divestments taken last year.

Lex, Page 16
Background, Page 22

Wace probe focuses on Parkway share deals

By Bronwen Maddox and Richard Donkin in London

WACE Group said yesterday its internal inquiry since the sudden departure of its managing director Mr John Clegg 10 days ago had revealed "potentially unlawful dealings" in the shares of Parkway Group, one of its largest and most ambitious acquisitions.

"Neither Wace nor any members of the existing board was a party to these share dealings," the UK printing services company added.

The inquiry now focuses on dealing in Parkway shares in the weeks before August 1, 1990, when Wace announced its bid of 28p cash per Parkway share, double the previous day's price.

Parkway, Wace's largest rival in "pre-press" services which prepare text and graphics for printing, was named USM company of the year in March 1989. But within 15 months it was highly indebted and its value fell from £110m ($199m) to less than £10m.

It has become clear, however, that the insider dealing unit of the London Stock Exchange looked into share dealing in the takeover, but it is understood that it failed to find evidence to support the suspicions. The exchange refused comment yesterday.

It is illegal under the Companies Securities (Insider Dealing) Act of 1985 to deal in shares of a quoted company when in possession of private information that, if public, would materially affect the share price.

The exchange's inquiries are understood to have prompted wider questions about the history of Wace's funding. Mr Clegg left after a week of speculation about the funding of his original £700,000 investment in Wace. He denied allegations that the company was under investigation for connections with the IRA.

Wace said yesterday it had found "no evidence of any link between the company or its existing or past directors and the IRA or any other terrorist organisation".

German banks ride high as economy sags

David Waller explains why the sector is expected to report record profits for 1991

At a time when German industrial companies are struggling to maintain profits and shareholder dividends in the face of a deteriorating economy, the banking sector is enjoying a boom.

Germany's banks are certain to report record profits for 1991 when full-year figures are released this spring. Moreover, the biggest and most profitable bank – Deutsche Bank – signalled its confidence in the outlook for the current year when it recently increased its 1991 dividend by DM1 to DM15 a share.

Although few other banks are confident enough to match Deutsche Bank's dividend move, the increase in the sector's profits last year was spread widely.

Group operating profits rose by 21.7 per cent at Deutsche Bank in the first 10 months of the year; by more than 31 per cent at Commerzbank, Germany's third largest bank; and by as much as 50 per cent at medium-sized banks such as Deutsche Verkehrs Bank.

Strip out the effect of trading gains, and the rise in so-called partial operating profits was also impressive and widespread. At the parent company level, this figure increased by 11.4 per cent to DM2.99bn ($1.92bn) at Deutsche Bank; by over 20 per cent to DM1.22bn at Dresdner Bank, the second largest in Germany; and by 29 per cent to DM626m at Bayerische Vereinsbank, Germany's fourth largest bank.

For the sector as a whole,

GERMAN BANKS

	Business Volume DM m	change	Partial op'ting profit DM m	change
Deutsche Bank	297,582	+14.3%	2,994	+11.1%
Dresdner Bank	189,371	+3.5%	1,215	+20.2%
Commerzbank	150,831	+2.4%	974	+18.7%
Bayerische Vereinsbank	129,236	+9.6%	626	+29.4%
Hypo-Bank	130,184	+3.5%	620	+10.1%
Berliner Bank	26,900	+21.0%	161	+43.0%
BHF Bank	27,547	+9.4%	166	+22.1%

Parent company results for first 10 months of 1991

partial operating profits are likely to rise by more than 15 per cent for the full year, according to UBS Phillips & Drew in London, compared with an increase of just under 11 per cent for 1990.

Central to the profits performance last year was a surge in demand for credit, with banks' lending to non-banks rising 12.7 per cent during the first eight months of 1991. According to Vereinsbank, the growth in lending volume reflects investment opportunities in the east of Germany, where economic growth is likely to outpace that of the west for some years to come.

To the great benefit of the banks, the risks of lending directly to east Germany have been curbed by credit protection schemes put in place by the Treuhand, the privatisation agency for former state-owned enterprises in the east.

To round off the virtuous circle, the banks' cost of funds has fallen at the same time that lending volumes have risen. This again reflects conditions in east Germany, where hundreds of thousands of unsophisticated and conservative customers have left their money in low-yielding accounts.

Recent statistics show that nearly 30 per cent of the total liabilities of Germany's large banks are financed by money on which they pay out 3 per cent or less a year. This can be lent out at up to four to five times this rate to eager corporate customers – at no risk at all to the banks if the Treuhand is guaranteeing the loans.

The higher German interest rates, the higher the spread for the banks – and since the Bundesbank's decision to raise rates by a full half point just before Christmas, they are now at their highest level since before the Second World War.

In the light of these favourable circumstances, even earnings growth of 15 per cent last year looks modest: banks' profits would have been significantly higher had administrative and other costs not also risen last year. Again, this reflects circumstances in the east, where the banks have had to invest heavily in new technology, training and property.

At Deutsche Bank's parent company, for example, the costs of developing a network of branches in the east led to a 19.3 per cent increase in staff and other operating costs, to DM5.47bn, in the first 10 months of last year.

By the time the banks report their profits early this spring, the boom conditions which inspired them will have fallen away, for three reasons:

● The pre-Christmas rise in interest rates will have dealt a further blow to the German economy and to the demand for credit. A weaker economy will expose the banks to bad and doubtful debts. As yet the banks have not made any provisions for bad loans.

● The banks' exposure to the former Soviet Union stood at DM35bn in the middle of last year. Analysts are playing this down as a depressant on 1991 and 1992 earnings. They point out that the bulk of the risk is shouldered by the German government or its agencies, leaving the private-sector banks' uninsured exposure at a relatively modest DM6bn to DM10bn, spread among some 4,000 German banks.

Of the big three banks, only Commerzbank has yet to make any provision against its Soviet exposure, although it has said that it will bite the bullet this year. Deutsche, meanwhile, is likely to increase its provisions from 65 to 70 per cent of a total of an estimated DM1bn-plus of uninsured loans.

● The costs of doing business in eastern Germany are likely to fall this year, but any benefit here is likely to be offset by rising wages. The 430,000 members of Germany's banking unions are demanding a pay rise of 10.5 per cent for this year. They have been offered 5 per cent but they are unlikely to moderate their demands.

While bank workers are currently being ballotted on strike action, Deutsche's dividend increase at this sensitive stage of the pay round shows that the banks feel no compulsion to hide their prosperity.

Despite these factors, analysts are expecting the big banks' earnings to rise as much as 9 to 10 per cent this year – about twice the rate of increase for the German market as a whole.

Does the performance of earnings mean the banks' shares will do well this year? Analysts are pinning their hopes on interest rate cuts later this year. This would reduce the banks' cost of funds without obliging them to pass on all the benefits of lower rates to their customers, at least not at once.

"Once the market gets a hint that interest rates are coming down," says one German broker, "banks shares will go into orbit."

CGS in bid for Swedish competitor

By Alice Rawsthorn in Paris and Robert Taylor in Stockholm

CAP Gemini Sogeti, Europe's largest computer services group, is making a SKr500m ($88.3m) bid for Programator, its Scandinavian competitor.

CGS said the acquisition would mark the group's return to a strategy of "external growth" after a period of consolidation.

In 1990 CGS took control of Hoskyns, the largest UK computer services concern. Since then CGS has taken over Scientific Control Systems in Germany and sold a minority holding in its own equity to Daimler-Benz, the giant German industrial group.

Programator, which is based in Sweden, is the biggest Scandinavian computer services company. It mustered sales of SKr1.9bn in 1991 and employs around 2,500.

The deal has already won the agreement of the larger shareholders in Programator – Sandvik the speciality steel and carbide group, the gas company Aga and the Wasa insurance group. As a result Cap Gemini Sogeti controls 51.4 per cent of Programator's equity and 82.2 per cent of the voting shares.

The new organisation, consisting of Programator and Cap Gemini Sogeti's Nordic unit will have a turnover of SKr2.7bn and employ around 3,500.

CGS's net profits fell by 10 per cent last year to an estimated FFr560m ($105.4m) from FFr623m in 1990. Sales increased by 9.3 per cent to FFr10.02bn.

Volksbank takes 20% stake in Banque Odier Bungener

SWISS Volksbank, Switzerland's fourth largest commercial bank, has taken a 20 per cent stake in Banque Odier Bungener Courvoisier (BOBC), a Paris-based institution active in commercial, merchant and private banking, writes Ian Rodger in Bern.

Terms of the deal were not disclosed. Volksbank said BOBC had total assets of FFr6.5bn ($1.22m) and net earnings of FFr47m in 1990, representing a 15 per cent return on equity.

BOBC has been controlled by the family of Mr François Propper, its chief executive, except for the period from 1982 to 1987, when it was nationalised.

Mr Walter Rüegg, chief executive of Swiss Volksbank, said he expected an improvement in the bank's profits this year, despite the weakness of the Swiss economy.

The bank reported a 38.3 per cent drop in net income last year to SFr68.4m ($49.2m) because of a huge increase in provisions to SFr393.8m.

Buoyant Whirlpool rises to $170m

By Nikki Tait in New York

WHIRLPOOL yesterday announced an advance in after-tax profits to $170m for 1991, compared with $72m in 1990, despite a declining market in the US for major home appliances and flat European demand.

In the fourth quarter of the year alone, Whirlpool – the world's largest maker of leading domestic appliances and now the full owner of the former Philips' businesses in Europe – made a net $40m, against a $54m loss in the same period of 1990.

Whirlpool shares gained $2 to $42¼ on the news.

Mr David Whitwam, Whirlpool's chairman, claimed the year had been "very good" under the circumstances and attributed part of the advance to reductions in working capital and costs and increased market share.

Sales for 1991 overall totalled $6.55bn, compared with $6.42bn in 1990.

Profit comparisons between the two years are slightly muddled by restructuring charges and other one-off items. In 1990, Whirlpool took a $52m charge related to the refrigeration operations, partly offset by a $22m gain on the sale of a floor-care business; in 1991, there was a $20m charge for the Italian compressor facilities.

The Brazilian interests also showed an improvement, contributing equity earnings of $3m, against a loss of $33m in 1990, although Whirlpool warns that the situation here remains "volatile".

The company said its North American shipments rose by more than 5 per cent in the last quarter, but declined by over 5 per cent during the 12 months. Mr Whitwam predicted a 5 per cent rise during 1992 overall, but suggested the gain would come in the second half.

In Europe, Whirlpool said shipments were flat in the last quarter but up by 1 to 2 per cent for the year. This year, shipments are estimated to increase by 1 per cent. The US company has been using dual branding – combining its own name with that of Philips – but says it is now phasing out the Philips name from UK advertising, a move which will be replicated in other markets early this year.

The finance subsidiary made net profits of $31m, up 15 per cent from 1990.

Parmalat lifts sales and earnings

By Halg Simonian in Milan

PARMALAT, the Italian milk and dairy foods group whose shares are widely owned abroad, raised operating earnings by 28 per cent to L173bn ($147.2m) last year. The improvement, accompanied by a 20 per cent rise in sales to L1,325bn, is likely to be followed by an increased dividend, the company implied.

Parmalat made a payout of L50 a share for the second half of 1990 following its restructuring in July 1990 and the creation of the stock market listed Parmalat Finanziaria holding company. Full 1991 figures will be released in March.

The group has used its strengthened capital base for a series of acquisitions, most of which will be reflected in this year's turnover. In Italy, Parmalat has bought control of municipally owned dairies in Como and Genova, while in Brazil, its second main market, sales jumped by 97 per cent to L201bn thanks partly to two acquisitions.

Last year's purchases would have raised group turnover by L115bn, but only L12bn has been consolidated into the 1991 accounts, the company said. Sales this year are expected to rise by around 23 per cent to about L1,636bn, while operating profits should rise by 16 per cent to L201bn.

Parmalat intends to continue its acquisition strategy, using privatisation opportunities in Italy and in eastern Europe.

Fall in advertising hits NY Times

By Alan Friedman in New York

A DECLINE in advertising due to the US recession contributed to a 27.5 per cent drop in 1991 net profits to $47m at the New York Times Company.

The decline in profits was struck on revenues of $1.7bn, 4.5 per cent down on 1990.

The company said that 1991 earnings – which were 61 cents a share against 85 cents in 1990 – would have been higher had it not been for a series of special charges, including a $20m second-quarter 1991 charge to cover severance payments for 160 employees at the flagship New York Times.

The company's fourth-quarter 1991 net profit was nearly treble the low 1990 level, at $34.6m (45 cents a share). Fourth-quarter revenues were $452.5m, compared with $456m in the last quarter of 1990.

A series of special charges affecting the company's 1991 earnings included a $10m provision for income tax contingencies related to a settlement dating from the 1980-1984 period.

Magazine acquisition costs also affected 1991 earnings, as did the discontinuing of the capitalisation of interest in connection with the New York Times's automated colour production and distribution facility in New Jersey.

If these factors are excluded, the company's 1991 earnings would have been 97 cents a share.

Operating profits in the newspaper group – which includes the New York Times, 32 regional papers and a 50 per cent share in the International Herald Tribune – rose to $49.2m from $32.1m in the fourth quarter. Revenues were $345.7m, against $350.1m.

Fourth-quarter operating income from the magazine division was $1.4m, compared with a $6.3m loss in the last quarter of 1990. The broadcasting and information services business recorded $4.8m of operating profits, against $4.7m in the same period of 1990.

Phillips Petroleum sale

By Nikki Tait

PHILLIPS Petroleum, the Oklahoma-based energy and chemicals group, announced yesterday that it planned to sell off a 51 per cent stake in its gas gathering and processing subsidiary.

Shares in the business, which will be known as GPM Gas Corporation and is the largest domestic producer of natural gas liquids, will be sold to investors via an initial public offering. This will probably take place in April.

Phillips said yesterday the subsidiary had operating revenues of just over $1bn last year and the proceeds from the sale will be used to reduce GPM's debt to Phillips.

GPM will be headed by Mr Bill Thompson, currently vice-chairman of Phillips.

The US parent company announced plans for a significant sale of assets last autumn – a move which was seen as a further response to tough times in the oil industry, prompted by weak natural gas prices and the recession.

Items either sold or put up for sale included three oil tankers, a refinery in Utah and a small plastics business.

At the time, analysts believed these sales were part of an ongoing process.

Phillips shares rose ⅜ to $3⅜ at midday on yesterday's news.

Slight decline at Yves St Laurent

YVES Saint Laurent, the French fashion house which last week celebrated its 30th anniversary, yesterday confirmed it had sustained a slight fall in net profits for 1991, on sales which rose 2 per cent to FFr3.06bn ($576.2m), from FFr3bn in 1990, writes Alice Rawsthorn.

Saint Laurent said profits for 1991 would fall slightly from the FFr252m made in 1990, given the competitive state of the luxury goods market and also the impact of the costs incurred in launching a skin-care range.

As with the rest of the global luxury goods industry, Saint Laurent experienced a difficult year in 1991.

Inquiry into American Cyanamid drug data

By Karen Zagor in New York

AMERICAN Cyanamid, the US pharmaceuticals and specialty chemicals group, is facing a probe by US government authorities over allegations that false data was submitted to the Food and Drug Administration (FDA) for several new animal drug applications.

Dozens of American Cyanamid's veterinary drug applications have been halted while the FDA checks the research data. The Justice Department is investigating an American Cyanamid employee, believed to have altered the research results, and the FDA is exploring if Cyanamid's management knew of any data falsification.

Although the news spurred heavy trading in American Cyanamid's shares, which fell $2⅞ to $57⅞ in midday trading on the New York Stock Exchange, analysts said the response was "overdone."

Mr Leonard Bogner, an analyst at Prudential Securities, said most of the suspended new product applications were linked to Cyanamid's Cygro chicken feed supplement which had estimated US annual sales of only $2m before it was withdrawn in 1990. Cyanamid's Cydectin and BST products were not included in the list, and most analysts did not expect its human healthcare products to encounter any regulatory problems. The FDA said yesterday the safety of Cyanamid's products was not in question, although the effectiveness of the Cygro products is being investigated.

The company also said it was reviewing internal controls in the animal health area "to assure that applicable regulatory requirements are followed and that scientific data meets the highest possible standards".

The FDA's ability to monitor scientific data has been questioned by the General Accounting Office, the investigative arm of Congress. A GAO study said weaknesses in the FDA's two main controls over data submissions might impede its ability to detect fraud in animal drug data.

Agribusiness and finance losses put brake on Foster's

By Bruce Jacques in Sydney

FOSTER'S Brewing, Australia's dominant brewer, has ridden through continuing difficulties in its shrinking agribusiness and finance operations to record almost static earnings for the first half to December.

The company yesterday announced net earnings of A$183.5m (US$137.9m) for the half, against a restated previous figure of A$185.6m. Total revenue eased to A$5.25bn from A$5.46bn.

The company, however, continued to record large extraordinary losses on its agribusiness and finance operations. An after-tax extraordinary loss of A$106.6m, against a A$80.1m loss previously, cut earnings available to shareholders to A$76.9m from A$105.5m.

Mr Peter Bartels, chief executive, said the company would still raise the interim dividend to 3 cents a share, from 2.5 cents, taking almost 87 per cent of bottom-line earnings.

The increase will doubtless be welcomed by the company's deposed chief, Mr John Elliott, whose private vehicle, International Brewing Holdings, remains Foster's main shareholder.

Late last year, Mr Elliott staged a heavily-publicised attempt to reassert control over the group. He was rebuffed by the board, but not until performance targets were agreed.

The Foster's result was held together by the performance of the company's overseas brewing interests: Courage in Britain and Molson in North America. Although brewing earnings jumped to A$332.8m from A$250.6m, the contribution from Australian brewing fell to A$111.5m from A$131m. The earnings star was Courage, lifting its contribution to A$147.4m from A$78.1m, while Molson rose to A$73.9m from A$41.5m.

Mr Bartels described the brewing performance as "excellent in the face of severe economic conditions". He said the result clearly demonstrated the benefits of global spread.

"The recession in Australia, the UK and Canada has had the most severe impact on beer industry volumes for decades," Mr Bartels said. "To improve profitability in these conditions is a significant achievement, although the pressure will still be on for at least the next half year."

Mr Bartels said cost-cutting had helped ease the impact of the Australian recession. The Courage result was an encouraging early sign of benefits from the acquisition of Grand-Met's breweries and the restructuring of the UK pub estate.

"As the UK comes out of recession and the trend to larger packaged beer volumes continues, Courage should be in a position to better exploit its good range of brands," he said.

Foster's reduced net interest payments to A$85.8m from A$112.3m, but depreciation provision was up to A$66.8m from A$47.4m. Tax took A$29.4m compared with A$17.7m previously.

Bunnings surges to A$13m

BUNNINGS, the Australian timber and building products group reported a sharp rise in net profits, to A$13.12m (US$9.8m) for the first half to December, from A$4.04m a year earlier, Reuters reports from Sydney. Bunnings is the subject of a hostile takeover bid from Wesfarmers, the Australian agricultural services and coal group.

The advance was mainly due to the sale of property.

Sales moved ahead to A$195.43m from A$189.89m, while property sales netted income of A$15.94m, against A$2.23m. Earnings per share came out at 28.5 cents, compared with 9.1 cents.

The dividend is being maintained at 8 cents a share.

Wesfarmers already holds 44.6 of Bunnings. Last week it said BTR of the UK had accepted the bid for its 24.6 per cent stake.

Mexico sells banking stake for 2.71bn pesos

By Damian Fraser in Mexico City

THE Mexican government has sold just over 66 per cent of Multibanco Comermex, the nation's fourth largest bank, for 2.71bn pesos ($872m), equivalent to 21 times last year's earnings and 3.73 times book value.

The extraordinarily high multiple reflects a growing desperation among some Mexican brokers to buy a bank before it is too late.

The government has already sold the country's three largest banks, and of the seven remaining, none has the national coverage of Comermex.

Banamex, Bancomer and Serfin, the three largest banks, have been sold for 2.62, 2.99 and 2.69 times book value respectively.

Comermex has assets of 24bn pesos, 6.4 per cent of the total in the banking system, and 352 branches spread across the country.

Grupo Financiero Inverlat, the holding company of the large brokerage by that name, outbid its nearest competitor by a mere 2.81 per cent, and paid 1,029 pesos per share. Inverlat had previously failed in its attempt to buy two banks.

The result will come as a bitter disappointment to Invermexico, the brokerage which missed out on buying Banamex, Mexico's largest bank.

A group of top executives who had been forced to resign from Inverlat after a boardroom disagreement, recently joined Invermexico. The rivalry between the two brokerages may in part explain why the bids were so high.

Inverlat has 26 branches in Mexico and one in New York. Its president, Mr Agustin Legorreta, is from Mexico's leading banking family.

The bank has been conservatively managed in the past decade, and with a more aggressive strategy could increase its share of the loan market.

In common with many Mexican banks, it made much of its money in the late 1980s from trading in the money market.

Impala Platinum slices dividend

By Philip Gawith in Johannesburg

IMPALA Platinum, the world's second largest producer, yesterday cut its interim dividend by 31 per cent, from 80 to 55 cents a share, as first-half earnings fell 16 per cent.

The performance of the South African group was better than analysts predicted, due largely to a large drop in expenditure on leases, royalties and tax, to R45.5m ($16.4m) from R211.2m. A 39 per cent fall in profits from platinum operations, to R218.1m, was therefore ameliorated at the bottom line, with attributable earnings 16 per cent down at R124.7m.

Mr Brian Gilbertson, chairman, said the group was hit by unexpectedly weak platinum and rhodium prices, coming at a time of high capital expenditure, "enormous" labour difficulties, and problems with the "lock-up" of metals in refineries. The average price received for platinum dropped to $376 per ounce from $448 in the same reporting period in 1990.

Mr Gilbertson said the group lost about 100,000 oz of platinum production, which could not be recovered. This was the result of labour difficulties which caused shaft closures and decreased efficiency. The shortfall was compounded by the "lock-up" of 50,000 oz of platinum in the refinery because of construction and commissioning activity.

The outcome was that Impala produced only 382,000 oz of refined platinum compared with 528,000 oz in the year-ago period. Sales dropped to 443,000 oz from 544,000 oz.

HIGHVELD Steel and Vanadium, a subsidiary of the Anglo American group of South Africa, announced a 36 per cent fall in attributable earnings, to R95.6m in the year to December. Weak economic conditions caused demand to drop in domestic and export markets, writes Philip Gawith.

Turnover dropped to R1.38bn from R1.43bn and pre-tax profits were down to R109.2m from R201.3m. A large cut in the tax bill reduced the impact on attributable earnings.

The dividend was maintained at 70 cents per share despite a fall in earnings to 130 cents a share from 206.4 cents.

Mr Leslie Boyd, chairman, said the drop in earnings was the result of lower domestic and export volumes and lower export prices.

Help for Japanese property group

By Robert Thomson in Tokyo

A GROUP of Japanese "non-bank" financial institutions is negotiating the restructuring of Sueno Kosan, a debt-troubled real estate developer bruised by the downturn in property prices.

The restructuring programme is unusual for "non-banks", the leasing and consumer credit companies often blamed by the Ministry of Finance for the excessive lending that fuelled stock and property speculation during the late 1980s.

Japan Housing Loan confirmed that it and three other institutions – Japan Leasing, Nippon Housing Loan and Jyuso – were considering a purchase of properties owned by Sueno in an attempt to reduce its debts, reported at Y600bn ($4.9bn).

The case highlights the close links between many of the so-called "non-banks" and mainstream banks, which often have strategic holdings in these institutions. Seven trust banks have an involvement in Jyuso, while the Industrial Bank of Japan has links to Japan Housing Loan.

The Bank of Japan, fearing that weaker non-bank institutions could collapse under the weight of bad property and stock-related loans, has advised mainstream banks that they should take responsibility for the non-banks' health and that of their leading clients.

Packer unveils float plan for magazine unit

By Emilia Tagaza in Canberra

MR KERRY Packer, the Australian media proprietor, yesterday unveiled the public flotation of 55 per cent of his Australian Consolidated Press, the dominant magazine publisher in the country.

The flotation, fully underwritten by Ord Minnett Securities, will raise A$475.2m (US$356m) through the issue of 95.1m shares at A$5 each. Mr Packer's privately-owned Consolidated Press Holdings will retain 45 per cent, equivalent to 77.8m shares.

The prospectus said the new vehicle would borrow an additional A$350m to provide most of the remaining cash to be paid to Mr Packer. It also showed that the company was being floated on a price earnings multiple of 13.4 times the forecast 1992-93 net earnings of A$64.5m.

The company is forecast to have earnings growth of 21.8 per cent this year and 17.6 per cent in 1993. Dividend yield for next year is projected at 6 per cent.

The flotation of the publishing group, which owns 68 magazine titles in Australia and New Zealand, is the latest of Mr Packer's fund-raising exercises, which began 18 months ago. Last month, he floated 51 per cent of Valasis Communications, his successful US-based advertising company.

CHH brothers step down after shift in control

THE TWIN brothers Richard and Ken Carter, who built Carter Holt Harvey (CHH) from a small family company into New Zealand's largest forestry group, are stepping down, writes Terry Hall in Wellington.

This follows the sale by Brierley Investments (BIL) of a 16 per cent stake in CHH – half BIL's shareholding – to International Paper, the large US forest products group. Under the agreement, International Paper is to take over management control of CHH.

Under management changes, Mr Selwyn Cushing, a BIL director, is to replace Mr Richard Carter, CHH executive chairman. Mr David Oskin, a senior vice-president of International Paper, becomes managing director and chief executive of CHH.

Bougainville Copper hit hard by political unrest

By Bruce Jacques in Sydney

DIRECTORS of Bougainville Copper, the Papua New Guinea copper and gold group, have declared a large loss for 1991. The result reflects write-downs of the group's mothballed mining operations on Bougainville Island.

The company, which was forced by civil unrest to abandon its mining operations in March 1990, slumped to a K813.2m ($328.8m) loss for the year, compared with a K14.6m loss previously.

The loss reflects a K350m provision for deterioration of the mine assets, offset by a K40.8m tax write-back. Directors said it was impossible to calculate accurately the required write-down without access to the mine site.

"While directors have made this provision in good faith, based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company personnel is again possible," they said.

However, they had not given up hope of a return to the mine site. While considerable uncertainty surrounded the future of the mine, there had been some encouraging progress on restoration of government services on Bougainville Island.

"Considerable funding will be required to recommence operations. These funding requirements cannot be forecast accurately, but could be in the range of K300m to K450m if access becomes available by early 1993."

Chinese Estates investors vote for Evergo bid

SHAREHOLDERS of Chinese Estates, the Hong Kong property concern, have approved a bid by Evergo International, the main corporate vehicle of the colony's controversial corporate raider, Mr Joseph Lau, to buy the 50.4 per cent it does not already hold, Reuter reports from Hong Kong.

Mr Lau told an extraordinary shareholders meeting that 1.37bn shares had been voted in favour of Evergo taking Chinese Estates private and 75m against. Trade in both companies was suspended.

However, a group of minority shareholders was unhappy with the vote and marched to the colony's Securities and Futures Commission (SFC) to complain. The SFC would not give details, but said the complaints would be investigated.

A shareholder source said the group had protested that proceedings at the general meeting had been unfair.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 10, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.3537	34.612	42.9189
Albania	(Lek)	10.1755	5.5725	3.5485	4.4002
Algeria	(Dinar)	38.45	21.0569	13.4088	16.627
Andorra	(Fr Fr)	9.7775	5.3546	3.4097	4.2281
	(Sp Peseta)	180.80	99.0142	63.0514	78.1837
Angola	(Kwanza)	325.60	178.313	113.548	140.8
Antigua	(E Carr $)	4.9410	2.7059	1.7231	2.1366
Argentina	(Peso)	1.8120	0.9923	0.6319	0.7835
Aruba	(Florin)	3.2755	1.7938	1.1422	1.4164
Australia	(Aus $)	2.4420	1.3373	0.8516	1.056
Austria	(Schilling)	20.205	11.0651	7.0462	8.7372
Azores	(Port Escudo)	247.35	135.46	86.2598	106.962
Bahamas	(Bahama $)	1.8260	1	0.6367	0.7896
Bahrain	(Dinar)	0.6918	0.3788	0.2412	0.2991
Balearic Is	(Sp Peseta)	180.80	99.0142	63.0514	78.1837
Bangladesh	(Taka)	68.00	37.2398	23.714	29.4054
Barbados	(Barb $)	3.6805	2.0156	1.2835	1.5915
Belgium	(Belg Fr)	59.95	32.8313	20.9067	25.9243
Belize	(B $)	3.6600	2.0043	1.2763	1.5827
Benin	(CFA Fr)	488.875	267.73	170.488	211.405
Bermuda	(Bermudian $)	1.8260	1	0.6367	0.7896
Bhutan	(Ngultrum)	47.00	25.7393	16.3905	20.3243
Bolivia	(Boliviano)	6.8900	3.7732	2.4027	2.9794
Botswana	(Pula)	3.8230	2.0936	1.3332	1.6531
Brazil	(Cruzeiro)	2545.65	1394.11	887.759	1100.82
Brunei	(Brunei $)	2.9640	1.6232	1.0336	1.2817
Bulgaria	(Lev)	32.24	17.656	11.2432	13.9416
Burkino Faso	(CFA Fr)	488.875	267.73	170.488	211.405
Burma	(Kyat)	10.7573	5.8911	3.7514	4.6518
Burundi	(Burundi Fr)	350.50	191.95	122.232	151.568
Cambodia	(Riel)	1372.50	751.643	478.64	593.514
Cameroon	(CFA Fr)	488.875	267.73	170.488	211.405
Canada	(Canadian $)	2.1495	1.1771	0.7496	0.9295
Canary Is	(Sp Peseta)	180.80	99.0142	63.0514	78.1837
Cp. Verde	(CV Escudo)	128.10	70.1533	44.673	55.3945
Cayman Is	(CI $)	1.5190	0.8318	0.5297	0.6568
Cent.Afr Rep	(CFA Fr)	488.875	267.73	170.488	211.405
Chad	(CFA Fr)	488.875	267.73	170.488	211.405
Chile	(Chilean Peso)	641.15	351.123	223.592	277.254
China	(Renminbi Yuan)	10.0162	5.4853	3.493	4.3313
Colombia	(Col Peso)	1139.20	623.877	397.28	492.627
Comoros	(CFA Fr)	488.875	267.73	170.488	211.405
Congo (Brazz)	(CFA Fr)	488.875	267.73	170.488	211.405
Costa Rica	(Colon)	253.45	138.801	88.387	109.6
Côte d'Ivoire	(CFA Fr)	488.875	267.73	170.488	211.405
Cuba	(Cuban Peso)	1.3860	0.759	0.4833	0.5993
Cyprus	(Cyprus £)	0.8235	0.4509	0.2871	0.3561
Czechoslovakia	(Koruna)	51.84c	28.3899	18.0784	22.4172
		50.01t	27.3877	17.4402	21.6259
Denmark	(Danish Kroner)	11.1100	6.0843	3.8744	4.8043
Djibouti Rep	(Djib Fr)	320.00	175.246	111.595	138.378
Dominica	(E Carrib $)	4.9410	2.7059	1.7231	2.1366
Dominican Rep	(D Peso)	23.2775	12.7478	8.1176	10.0659
Ecuador	(Sucre)	2413.60o	1321.8	841.709	1043.72
		2444.40a	1338.66	852.45	1057.04
Egypt	(Egyptian £)	6.08	3.3296	2.1203	2.6291
El Salvador	(Colon)	14.6535	8.0249	5.1102	6.3366
Equat'l Guinea	(CFA Fr)	488.875	267.73	170.488	211.405
Ethiopia	(Ethiopian Birr)	3.7485	2.0528	1.3072	1.6209
Falkland Is	(Falk £)	1.00	0.5476	0.3487	0.4324
Faroe Is	(Danish Kroner)	11.1100	6.0843	3.8744	4.8043
Fiji Is	(Fiji $)	2.7090	1.4835	0.9447	1.1714
Finland	(Markka)	7.8355	4.291	2.7325	3.3883
France	(Fr)	9.7775	5.3546	3.4097	4.2281
Fr. Cty/Africa	(CFA Fr)	488.875	267.73	170.488	211.405
Fr. Guiana	(Local Fr)	9.7775	5.3546	3.4097	4.2281
Fr. Pacific Is	(CFP Fr)	175.00	95.8378	61.0287	75.6756
Gabon	(CFA Fr)	488.875	267.73	170.488	211.405
Gambia	(Dalasi)	16.2685	8.9093	5.6734	7.035
Germany	(D-Mark)	2.8675	1.5703	1	1.24

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	700.00	383.352	244.115	302.703
Gibraltar	(Gib £)	1.00	0.5476	0.3487	0.4324
Greece	(Drachma)	331.375	181.476	115.562	143.297
Greenland	(Danish Krone)	11.1100	6.0843	3.8744	4.8043
Grenada	(E Carr $)	4.9410	2.7059	1.7231	2.1366
Guadaloupe	(Local Fr)	9.7775	5.3546	3.4097	4.2281
Guam	(US $)	1.8260	1	0.6367	0.7896
Guatemala	(Quetzal)	9.2764	5.0801	3.235	4.0114
Guinea	(Fr)	1486.50	814.074	518.396	642.811
Guinea-Bissau	(Peso)	9150.00	5010.95	3190.93	3956.76
Guyana	(Guyanese $)	221.90	121.522	77.3844	95.9567
Haiti	(Goude)	9.15	5	3.1909	3.9567
Honduras	(Lempira)	9.8495	5.394	3.4348	4.2592
Hong Kong	(HK $)	14.1610	7.7552	4.9384	6.1236
Hungary	(Forint)	140.60	76.9989	49.0322	60.8
Iceland	(Icelandic Krona)	105.085	57.5492	36.6469	45.4421
India	(Indian Rupee)	47.00	25.7393	16.3905	20.3243
Indonesia	(Rupiah)	3688.60	2020.04	1286.35	1595.07
Iran	(Rial)	2607.0v	1427.71	909.154	1127.35
		117.40o	64.2935	40.9415	50.7675
Iraq	(Iraqi Dinar)	0.5936	0.325	0.207	0.2566
Irish Rep	(Punt)	1.0745	0.5884	0.3747	0.4646
Israel	(Shekel)	4.18	2.2891	1.4577	1.8075
Italy	(Lira)	2159.75	1182.78	753.182	933.946
Jamaica	(Jamaican $)	35.50	19.4414	12.3801	15.3513
Japan	(Yen)	231.25	126.643	80.6451	100
Jordan	(Jordanian Dinar)	1.2301	0.6736	0.4289	0.5319
Kenya	(Kenya Shilling)	52.2465	28.6125	18.2202	22.593
Kiribati	(Australian $)	2.4420	1.3373	0.8516	1.056
Korea North	(Won)	1.7750	0.972	0.619	0.7675
Korea South	(Won)	1403.63	768.691	489.496	606.975
Kuwait	(Kuwaiti Dinar)	0.53445	0.2926	0.1863	0.231
Laos	(New Kip)	1290.15	706.544	449.922	557.903
Lebanon	(Lebanese £)	1609.90	881.664	561.43	696.173
Lesotho	(Maloti)	5.0620	2.7721	1.7653	2.1889
Liberia	(Liberian $)	1.8260	1	0.6367	0.7896
Libya	(Libyan Dinar)	0.5010	0.2743	0.1747	0.2166
Liechenstein	(Swiss Fr)	2.5625	1.4033	0.8936	1.1081
Luxembourg	(Lux Fr)	59.95	32.8313	20.9067	25.9243
Macao	(Pataca)	14.6665	8.032	5.1147	6.3422
Madagascar	(MG Fr)	2905.50	1591.18	1013.25	1256.43
Madeira	(Port Escudo)	247.35	135.46	86.2598	106.962
Malawi	(Kwacha)	4.8955	2.6809	1.7072	2.1169
Malaysia	(Ringgit)	4.75725	2.6052	1.659	2.0571
Maldive Is	(Rufiya)	19.3725	10.6092	6.7558	8.3772
Mali Rep	(CFA Fr)	488.875	267.73	170.488	211.405
Malta	(Maltese £)	0.5745	0.3146	0.2003	0.2484
Martinique	(Local Fr)	9.7775	5.3546	3.4097	4.2281
Mauritania	(Ouguiya)	149.05	81.6265	51.979	64.454
Mauritius	(Maur Rupee)	30.2315	16.5561	10.5428	13.073
Mexico	(Mexican Peso)	5549.20a	3038.99	1935.2	2399.65
Miquelon	(Local Fr)	9.7775	5.3546	3.4097	4.2281
Monaco	(French Fr)	9.7775	5.3546	3.4097	4.2281
Mongolia	(Tugrik)	76.86	42.092	26.8038	33.2367
Montserrat	(E Carr $)	4.9410	2.7059	1.7231	2.1366
Morocco	(Dirham)	15.66	8.5761	5.4612	6.7718
Mozambique	(Metical)	3448.15	1888.36	1202.49	1491.09
Namibia	(S A Rand)	5.0620	2.7721	1.7653	2.1889
Nauru Is	(Australian $)	2.4420	1.3373	0.8516	1.056
Nepal	(Nepalese Rupee)	78.1410	42.7935	27.2505	33.7907
Netherlands	(Guilder)	3.2300	1.7688	1.1264	1.3967
N'nd Antilles	(A/Guilder)	3.2755	1.7938	1.1422	1.4164
New Zealand	(NZ $)	3.3795	1.8507	1.1785	1.4614
Nicaragua	(Gold Cordoba)	9.15	5.0109	3.1909	3.9567
Niger Rep	(CFA Fr)	488.875	267.73	170.488	211.405
Nigeria	(Naira)	18.3365	10.0418	6.3945	7.9292
Norway	(Nor. Krone)	11.2475	6.1596	3.9224	4.8637
Oman	(Rial Omani)	0.7065	0.3869	0.2463	0.3055

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	42.00	23.001	14.6469	18.1621
Panama	(Balboa)	1.8260	1	0.6367	0.7896
Papua New Guinea	(Kina)	1.7475	0.957	0.6094	0.7556
Paraguay	(Guarani)	2592.40	1419.72	904.063	1121.04
Peru	(New Sol)	1.80	0.9857	0.6277	0.7783
Philippines	(Peso)	44.00	24.0963	15.3443	19.027
Pitcairn Is	(£ Sterling)	1.00	0.5476	0.3487	0.4324
	(NZ $)	3.3795	1.8507	1.1785	1.4614
Poland	(Zloty)	20790.0	11385.5	7250.22	8990.27
Portugal	(Escudo)	247.35	135.46	86.2598	106.962
Puerto Rico	(US $)	1.8260	1	0.6367	0.7896
Qatar	(Riyal)	6.6794	3.6579	2.3293	2.8883
Reunion Is. de la	(F/Fr)	9.7775	5.3546	3.4097	4.2281
Romania	(Leu)	357.79q	195.942	124.774	154.72
Rwanda	(Fr)	217.31	119.009	75.7837	93.9718
St Christopher	(E Carr $)	4.9410	2.7059	1.7231	2.1366
St Helena	(£)	1.00	0.5476	0.3487	0.4324
St Lucia	(E Carr $)	4.9410	2.7059	1.7231	2.1366
St Pierre	(French Fr)	9.7775	5.3546	3.4097	4.2281
St Vincent	(E Carr $)	4.9410	2.7059	1.7231	2.1366
San Marino	(Italian Lira)	2159.75	1182.78	753.182	933.946
Sao Tome	(Dobra)	439.20	240.526	153.165	189.924
Saudi Arabia	(Riyal)	6.8815	3.7686	2.3998	2.9757
Senegal	(CFA Fr)	488.875	267.73	170.488	211.405
Seychelles	(Rupee)	9.10	4.9835	3.1734	3.9351
Sierra Leone	(Leone)	786.90	430.942	274.42	340.281
Singapore	($)	2.9640	1.6232	1.0336	1.2817
Solomon Is	($)	5.1330	2.811	1.79	2.2196
Somali Rep	(Shilling)	4794.60	2625.74	1672.05	2073.34
South Africa	(Rand)	5.0620c	2.7721	1.7653	2.1889
		6.3385g	3.4712	2.2104	2.7409
Spain	(Peseta)	180.80	99.0142	63.0514	78.1837
Spanish Ports in N Africa	(Sp Peseta)	180.80	99.0142	63.0514	78.1837
Sri Lanka	(Rupee)	77.00	42.1686	26.8526	33.2972
Sudan Rep	(£)	164.70e(1)	90.1971	57.4367	71.2216
Surinam	(Guilder)	3.2665	1.7888	1.1391	1.4125
Swaziland	(Lilangeni)	5.0620	2.7721	1.7653	2.1889
Sweden	(Krona)	10.4175	5.705	3.6329	4.5048
Switzerland	(Fr)	2.5625	1.4033	0.8936	1.1081
Syria	(£)	37.0575	20.2943	12.9232	16.0248
Taiwan	($)	45.80	25.0821	15.9721	19.8054
Tanzania	(Shilling)	425.47	233.007	148.377	183.987
Thailand	(Baht)	44.00	24.0963	15.3443	19.027
Togo Rep	(CFA Fr)	488.875	267.73	170.488	211.405
Tonga Is	(Pa Anga)	2.4420	1.3373	0.8516	1.056
Trinidad/Tobago	($)	7.7775	4.2593	2.7122	3.3632
Tunisia	(Dinar)	1.6355	0.8956	0.5703	0.7072
Turkey	(Lira)	10015.50	5484.94	3492.76	4331.03
Turks & Caicos	(US $)	1.8260	1	0.6367	0.7896
Tuvalu	(Australian $)	2.4420	1.3373	0.8516	1.056
Uganda	(New Shilling)	1759.50	963.582	613.601	760.865
U A E	(Dirham)	6.7390	3.6905	2.3501	2.9141
United Kingdom	(£)	1.00	0.5476	0.3487	0.4324
United States	(US $)	1.8260	1	0.6367	0.7896
Uruguay	(Peso)	4694.90	2571.14	1637.28	2030.23
USSR	(Rouble)	1.0206o	0.5589	0.3559	0.4413
		197.18m	107.985	68.7637	85.267
Vanuatu	(Vatu)	204.95	112.24	71.4734	88.627
Vatican	(Lira)	2159.75	1182.78	753.182	933.946
Venezuela	(Bolivar)	110.75	60.6516	38.6224	47.8918
Vietnam	(Dong)	19215.0	10523	6700.96	8309.19
Virgin Is-British	(US $)	1.8260	1	0.6367	0.7896
Virgin Is-US	(US $)	1.8260	1	0.6367	0.7896
Western Samoa	(Tala)	4.4205	2.4208	1.5415	1.9115
Yemen (Rep of)	(Rial)	23.70	12.9791	8.265	10.2486
Yemen (Rep of)	(Dinar)	0.8510	0.466	0.2967	0.368
Yugoslavia	(Dinar)	186.7567	102.276	65.1287	80.7596
Zaire Rep	(Zaire)	147700.0	80887.2	51508.3	63870.3
Zambia	(Kwacha)	224.65(2)	123.028	78.3435	97.1459
Zimbabwe	($)	9.1590	5.0158	3.194	3.9606

Special Drawing Rights February 7, 1992 United Kingdom £0.774659 United States $1.40771 Germany D Mark 2.22489 Japan Yen176.879
European Currency Unit Rates February 10, 1992 United Kingdom £0.711794 United States $1.30116 Germany D Mark 2.04191 Japan Yen163.660

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; (1) Sudanese Pound, Official rate abandoned. (2) Zambian Kwacha devalued.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, February 10, 1992

INTERNATIONAL CAPITAL MARKETS

Treasuries slip as market suffers from auction jitters

By Patrick Harverson in New York and Sara Webb in London

NERVOUSNESS ahead of this week's big Treasury auctions left US bond prices weaker yesterday at both ends of the market.

In late trading the benchmark 30-year government bond was down ⅛ at 102⅝, yielding 7.781 per cent. The two-year note was unchanged, however, at 99⅞, yielding 4.908 per cent.

The approaching injection of supply was the dominant influence on sentiment as the market opened for the week. The Treasury is scheduled this week to auction $38bn in three-year notes, 10-year notes, and 30-year bonds, and investors as well as dealers were reluctant to trade actively before the fresh supply hits the market.

The short end was initially firmer, due primarily to hopes that the Federal Reserve, in the wake of last week's bad unemployment numbers, would cut the Fed funds rate by 25 basis points. The two-year note fell back, however, after the Fed intervened to drain reserves from the banking system – a sign that it had not eased policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.4570	+0.577	10.08	10.27	9.70
BELGIUM		9.000	06/01	102.1000	-0.100	8.65	8.66	8.67
CANADA *		8.500	04/02	101.6800	-0.200	8.26	8.38	8.00
DENMARK		9.000	11/00	102.7500	-0.050	8.53	8.53	8.49
FRANCE	BTAN	8.500	03/97	99.1340	-0.157	8.70	8.64	8.73
	OAT	8.500	11/02	100.1400	-0.210	8.47	8.44	8.41
GERMANY		8.000	01/02	100.8100	-0.080	7.88	7.91	7.92
ITALY		12.000	02/02	98.4300	-0.080	12.28	12.27	0.00
JAPAN	No 119	4.800	06/99	94.6900	-0.392	5.79	5.68	5.59
	No 129	6.400	03/00	105.2836	-0.567	5.46	5.40	5.33
NETHERLANDS		8.250	02/02	99.6900	+0.060	8.30	8.36	8.26
SPAIN		11.300	01/02	102.6000	+0.070	10.84	10.85	11.09
UK GILTS		10.000	11/96	102-05	+10/32	9.42	9.58	9.78
		9.750	08/02	102-26	+7/32	9.33	9.40	9.52
		9.000	10/08	98-26	+8/32	9.14	9.18	9.32
US TREASURY *		7.500	11/01	102-04	-1/32	7.19	7.37	6.89
		8.000	11/21	102-16	-5/32	7.78	7.81	7.47

London closing. *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ RENEWED hopes of a base rate cut pushed UK government bond prices higher across the range of maturities.

The Liffe gilt futures contract rose from 97.16 to 97.27 by late afternoon on a modest volume of about 18,500 contracts. Gilts traders reported interest from both domestic and international buyers, with short-dated gilts gaining over a quarter of a point. The benchmark 11¾ per cent due 2003/07 rose from 116⅛ to 116¼.

■ GERMAN bunds drifted lower in dull trading as participants awaited news on the wage front. The Liffe bund futures contract traded down to 88.09 from Friday's close of 88.16.

Elsewhere in Europe, Dutch government bonds rallied after favourable January inflation figures, released on Friday. Dutch year-on-year inflation was 4.1 per cent in January compared with 4.9 per cent in December.

■ JAPANESE government bond prices fell back yesterday, mainly as a result of dealers liquidating long positions ahead of today's holiday. The yield on the benchmark No 129 JGB, which opened at 5.385 per cent, closed at 5.445 per cent.

Investment fund launch by Ahold

AHOLD, the Netherlands' biggest food retailer, yesterday launched a campaign to sell a new, in-house investment fund to its customers, writes Ronald van de Krol in Amsterdam.

From next week shoppers at Ahold's Albert Heijn chain of supermarkets will be able to buy savings stamps and use them towards investing in a mutual fund which will evenly divide its assets between existing Ahold shares and the company's interest-bearing money market instruments.

Ahold estimates that the fund will attract Fl 500m ($280m) to Fl 1bn over the next five to seven years. The Ahold Dutch Customer Fund will be managed by merchant bank Pierson, Heldring & Pierson.

FNB plans R550m rights issue to fund growth

By Philip Gawith in Johannesburg

FIRST National Bank (FNB), South Africa's third largest bank, plans to raise R550m through a rights issue to capitalise on domestic and foreign growth opportunities.

Mr Viv Bartlett, senior general manager, said yesterday the timing of the issue, details of which will be announced next week, was closely related to FNB's share price. He said the stock market would not necessarily stay at current levels, while FNB felt the market was now rating its shares more fairly than in the past. They stand on a price/earnings ratio of 11, and are currently trading at R58 having been as low as R28 last year.

On the domestic front Mr Bartlett said the bank wanted to become more aggressive, to regain some of the market share it had deliberately shed in 1989-1991. He said this was particularly true in the home loans field. FNB was unsuccessful last year in its attempt to take over Allied, one of the country's largest building societies, and is now pursuing organic growth.

In terms of international ambitions, Mr Bartlett said one option would be to set up a London subsidiary whose main function would be the financing of trade flows and foreign exchange trading. He said FNB was not that sure how receptive the UK market was to new entrants.

FNB also needed capital for its Swiss finance company and to finance its recent entry into the Botswana market.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107⅛		6.29
ALBERTA PROVINCE 9 3/8 95	600	109⅛	109½		6.51
AUSTRIA 8 1/2 00	400	106¼	106⅝	-⅛	7.43
BANK OF TOKYO 8 3/8 96	100	104⅛	105⅛		7.07
BELGIUM 9 5/8 98	250	111	111⅝	-⅛	7.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅞	99½		9.09
WORLD BANK 8 96 LFr	1000	96⅛	97⅛		9.02
ENERGIE BEHEER 8 3/4 98 Fl	500	102⅛	103⅛		8.19
UNILEVER 9 00 Fl	500	105	105½	+⅛	8.14
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅞		8.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Scandinavian Ecu offers meet reasonable demand

By Tracy Corrigan

TWO Ecu offerings for top-rated Scandinavian borrowers met reasonable retail demand in generally sluggish market conditions. Dealers said the unplaced inventory on underwriters' books, particularly in the dollar sector, shows little sign of shrinking.

INTERNATIONAL BONDS

An Ecu250m four-year offering for Norway's Eksportfinans was considered fairly priced, but dealers said that demand is concentrated at the five to seven-year area of the yield curve, The deal, arranged by Nikko, was bid at 99.75, below its fixed reoffer price of 99.95.

Meanwhile, the Swedish National Housing Finance Corporation (SBAB) made its debut offering in the Ecu market. The Ecu300m five-year deal via UBS Phillips & Drew was also considered reasonably priced, but had not broken syndicate at the end of trading.

Despite signs of less than enthusiastic investor interest in recent deals, a number of sovereign and supranational borrowers are said to be set to raise funds in Ecu.

As well as the European Community, which is expected to launch its next Ecu transaction later this week, Spain and Portugal are both said to be eyeing the market, while Denmark is expected to launch its Ecu1bn domestic bond issue in the next few weeks.

In the dollar sector, Nomura International arranged a two-tranche transaction of senior floating-rate and subordinated fixed-rate bonds, backed by US adjustable rate mortgages. The transaction, issued through a special purpose vehicle, is one in a series of three offerings currently being prepared.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
DSL Bank(a)†	200	6½	101.425	1996	1⅝/1.425	Nomura Int.
Sumitomo Heavy Ind.(a)♦	170	3	100	1996	2¼/1½	Daiwa Europe
Ailsa No.3(d)‡†	210	(c)	100	1997	1	Nomura Int.
Ailsa No.3(d)†	52.5	8	100	1997	1	Nomura Int.
ECUs						
SBAB(a)†	300	8⅝	101.325	1997	1⅞/1.775	UBS Phillips & Drew
Eksportfinans(a)†	250	8¾	101⅛	1996	1⅝/1½	Nikko Europe
D-MARKS						
Deutsche Finance BV(a)†	500	8¼	102	1996	1¾/1⅛	Deutsche Bank
SWISS FRANCS						
City of Helsinki(a)†	150	6⅝	101¾	2004	-	UBS
Swedmortgage Bank(b)†	100	7⅛	101	2002	-	Credit Suisse

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Subordinated issue. Non-callable. c) Coupon pays 110bp over 6-month Libor. d) Issue backed by US Adjustable Rate Mortgages. Issue in 2 tranches - tranche B are Participating bonds. Coupon payable semi-annually.

Portuguese bank's share sale starts

By Patrick Blum in Lisbon

THE subscription for shares in Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's third largest bank, opened yesterday and will close on Friday.

The completion of the bank's privatisation is set for February 25 when the results of the flotation will be announced during a special session of the Lisbon stock exchange.

The government is selling 24m shares representing its remaining 60 per cent stake in the bank – 40 per cent was sold in July last year – in several tranches, with up to 12m shares underwritten by a consortium of Portuguese and international financial institutions.

Budapest flotation for Samsung Hungarian unit

By Nicholas Denton in Budapest

SAMSUNG Electronics Hungary, a subsidiary of the South Korean conglomerate, has announced plans for a share flotation on Budapest's fledgling stock exchange. Realisation of the scheme would make Samsung's the first foreign start-up venture to tap the Hungarian share market for funds.

The issue will almost double the Samsung share capital, diluting the South Korean parent company's 100 per cent shareholding without depriving it of majority control.

The pricing and timing of the offering are still to be decided in the light of 1991 earnings results expected next month.

Samsung Electronics Hungary, which makes televisions and distributes electronic office equipment in Hungary, is turning to the stock market to finance further expansion in the wake of 1991 turnover growth of 40 per cent to Ft2.5bn ($32.5m).

Analysts said Samsung's move pointed a way out of the dilemma faced by many western firms based in Hungary and earning local currency. They face exorbitant local bank interest rates and exchange rate risks if they borrow in hard currency.

Samsung's resort to the Budapest capital market follows that of the Hungarian subsidiary of MacDonald's, the US fast food chain, which last October issued Ft400m in bonds with a four year gratuity.

Salomon puts an end to speculation

Sara Webb reports on the plans of the US securities house for European growth

The promotion of Mr Dennis Keegan and Mr Stephen Posford as joint chief executive officers at Salomon Brothers International yesterday is intended to put a stop to speculation over the direction of the Wall Street firm's European business.

In an interview with the Financial Times, they stated Salomon Brothers' firm commitment to the equity business. Salomon plans to increase its presence in the UK stock and derivative markets, as well as in southern European equity markets such as Spain.

"We really want to slay this idea that we are getting out of the equities business," says Mr Peter McSloy, chief administrative officer and a member of the new European management committee. Profits for 1991 in European equities were up 76 per cent on the previous year, he says.

Mr Keegan admits that equity business is the area "most damaged by errors made in pay and misunderstandings in the philosophy of the business". But he says a decision has been taken to become more active in the UK markets, particularly as more clients are interested in these markets now that tax and accounting rules relating to the derivatives markets have been clarified.

Salomon is already active in the Swiss and German derivatives markets, a position which Mr Keegan claims has helped generate other business in the Swiss and German markets.

On the fixed income side, Mr Keegan says the firm will add Euroyen and Eurosterling bond trading to meet client needs. "We assume there will be a higher proportion of European corporations wanting to borrow in the Eurobond market in future," he says.

Finally, Salomon wants to develop its investment banking operations, emphasising cross-border mergers and acquisitions, and privatisations. "Billions of dollars of capital need to find a permanent home – our role is finding it," says Mr Bill Strong, head of investment banking, pointing to the wave of privatisations expected in Scandinavia, France and eastern Europe.

Salomon Brothers has named Mr Dennis Keegan (left) and Mr Stephen Posford (right) as co-chief executive officers at the group's Europe operations, writes Sara Webb.

Both will sit on Salomon's Europe management committee, joining Mr Charles McVeigh (chairman of Salomon Brothers International), Mr Peter McSloy (chief administrative officer), and Mr William Strong (head of European investment banking).

Whether these aims are achieved depends largely on how willing customers are to do business with the firm. For there is no doubting the impact of Salomon Brothers' misdemeanours in the US Treasury bond auctions on the firm's European business.

Salomon was stripped of its title as US lead manager for the UK government's sale of BT shares, and has since been shunned by companies planning international equity issues.

On the Eurobond side, Mr Keegan admits "people are wary of giving us the lead manager position, but we're getting a lot of co-leads and joint leads. In the Eurobond market, many of the borrowers are sovereign and they are the most cautious ones."

The auction-rigging scandal also took its toll on staff. Some were made redundant while others left of their own accord, demoralised or dissatisfied over their compensation packages.

Following the appointment of Mr Jim Massey (former chief executive officer in London) as head of international operations in New York late last year, insiders say there was an internal power struggle for the number one position, resulting in further departures.

However, Mr Keegan and Mr Posford (who have worked together successfully as joint heads of fixed income, and then as joint heads of equity and fixed income business) are respected by colleagues, and are seen as good managers.

London increases share of Ecu banking market

By Tracy Corrigan

LONDON'S share of the Ecu banking market showed a further increase last year, while the proportion of business in Paris and Brussels has shown a steady decline since 1985, according to the Bank for International Settlements' quarterly report on developments in the Ecu financial markets.

"In the space of a few years London has become the main centre for Ecu bank business," accounting for 27 per cent of the market, said the report. There has also been a surge of activity in Sweden, from Ecu1bn at the end of 1990 to Ecu6bn in September 1991, following the linkage of the krona to the Ecu last year. Activity in Germany remains relatively modest despite the lifting of restrictions on Ecu deposits.

The growth in the Ecu banking market last year was outstripped only by the surge of activity in the Ecu bond market.

Ecu banking transactions grew at an annual rate of 25 per cent for the first nine months of last year, bringing the total assets of BIS reporting banks (those in Europe and Japan) to Ecu176bn, compared with Ecu149bn in 1990 and just Ecu64bn in 1985.

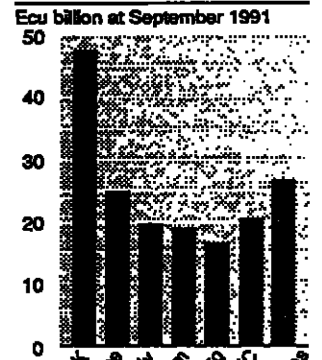
The Ecu banking market has retained two distinctive features: the predominance of interbank activity (nearly three-quarters of total bank assets) and the high geographical concentration of business within Europe.

But there are a number of important developments, such as the shift in the net position of reporting banks from a net asset position at the end of 1988 to a net liability position in September 1991, reflecting the increasing amount of assets held by non-bank institutions.

However, the bulk of assets are still mainly held by non-bank financial institutions such as insurance companies, according to Jean-Louis Pezet, an analyst at Crédit Lyonnais.

Total assets held in Ecu banking centres

Ecu billion at September 1991



Source: BIS

The sharp expansion of holdings by central banks has also boosted activity. The BIS estimates central bank deposits in the Ecu market at around Ecu30bn, with a further Ecu4bn-5bn held in the form of securities. The increased holdings of central banks in private Ecu, rather than official Ecu (which cannot be traded), is also a notable development, analysts say.

Meanwhile, the Ecu bond market experienced a record period of growth in the first nine months of last year. The total stock of outstanding Ecu bonds reached Ecu72bn as of September 1991, with secondary market turnover 10 times greater than in 1989.

Increased borrowing by European governments was a catalyst for growth, encouraging broader participation by institutional investors. The bond market has also been able to feed off the growing Ecu swaps market and the development of Ecu futures and options contracts.

Movement towards European monetary union has underpinned the growth of activity in Ecu financial markets, although some segments remain underdeveloped, and the elimination of much of the uncertainty surrounding the future of the Ecu at the Maastricht summit last December is expected to fuel further expansion.

There is a need "to differentiate between financial and commercial use of the Ecu," according to Mr Bertrand de Maigret, managing director of the Association for the Monetary Union of Europe. He said that commercial invoicing in Ecu is rare, outside certain areas like transportation.

It is a problem which the European Community is preparing to tackle. This summer, officials at DG2, one of the Commission directorates, will publish a white paper describing all the legal and technical obstacles to the use of Ecu.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Feb 7 Index No.	Thu Feb 6 Index No.	Wed Feb 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	782.77	+0.8	8.67	6.13	14.75	0.61	776.92	780.92	784.16	761.78
2	Building Materials (23)	940.46	+0.4	7.40	6.62	18.30	0.44	936.29	953.37	964.22	1051.98
3	Contracting, Construction (28)	878.82	+0.1	9.05	8.45	15.95	0.00	878.23	880.14	879.01	1176.47
4	Electricals (7)	2424.17	-0.4	10.19	6.19	12.35	1.47	2433.44	2438.61	2453.61	2058.27
5	Electronics (26)	1787.71	+1.4	10.27	4.79	12.34	1.26	1763.37	1765.31	1768.82	1647.90
6	Engineering-Aerospace (8)	330.55	+0.7	16.15	7.86	7.53	0.77	328.11	328.39	329.06	406.12
7	Engineering-General (43)	485.12	-0.3	9.79	5.08	12.59	1.21	486.80	487.17	490.72	369.11
8	Metals and Metal Forming (10)	328.63	+1.5	2.13	10.57	–	0.00	323.71	327.63	325.83	424.48
9	Motors (14)	303.70	+0.6	8.37	7.79	15.88	0.00	301.92	303.24	303.03	299.27
10	Other Industrial Materials (19)	1594.42	+1.3	7.54	5.14	15.76	0.69	1574.55	1577.60	1582.56	1347.47
21	CONSUMER GROUP (188)	1653.78	+0.6	6.98	3.33	17.63	2.27	1643.18	1652.66	1660.57	1292.60
22	Brewers and Distillers (23)	2045.79	-0.1	7.87	3.47	15.32	7.92	2048.58	2055.93	2062.44	1633.90
25	Food Manufacturing (18)	1258.55	+0.6	8.57	4.04	14.42	2.11	1251.34	1257.99	1260.10	1093.30
26	Food Retailing (17)	2528.19	+1.1	8.74	3.28	14.87	0.39	2500.29	2517.50	2542.71	2477.42
27	Health and Household (24)	4492.63	+0.9	5.06	2.17	22.68	0.88	4453.79	4494.76	4558.20	2764.80
29	Hotels and Leisure (23)	1274.88	+1.1	7.36	5.27	16.92	1.02	1260.78	1266.28	1266.17	1177.60
30	Media (24)	1483.31	+0.5	6.60	3.62	19.05	1.22	1476.54	1477.77	1476.47	1256.23
31	Packaging, Paper & Printing (17)	757.99	+0.7	6.98	4.38	17.36	0.22	752.85	756.05	757.33	548.44
34	Stores (32)	1033.65	+0.9	7.14	3.49	18.54	1.89	1024.64	1030.24	1023.25	845.46
35	Textiles (10)	619.24	+0.3	7.42	5.00	17.21	0.53	617.39	617.22	617.64	419.01
40	OTHER GROUPS (116)	1215.24	+0.6	9.93	5.45	12.70	6.34	1207.92	1212.13	1215.10	1078.90
41	Business Services (16)	1366.28	+0.7	7.34	4.80	17.32	0.07	1357.12	1362.08	1380.94	936.32
42	Chemicals (21)	1478.20	+0.2	6.83	4.95	18.10	0.44	1474.98	1486.84	1489.53	1146.99
43	Conglomerates (11)	1276.88	+1.9	11.36	7.93	10.72	3.11	1253.63	1265.12	1275.90	1423.27
44	Transport (14)	2375.36	-0.3	5.34	4.76	24.71	2.46	2381.62	2400.17	2402.22	1894.17
45	Electricity (16)	1204.50	+0.1	15.06	6.17	8.64	17.21	1202.98	1195.76	1202.16	1132.94
46	Telephone Networks (4)	1404.63	+0.4	11.17	4.46	11.69	15.96	1399.14	1401.87	1394.78	1218.26
47	Water (10)	2391.62	+1.6	17.84	6.65	6.18	0.00	2353.99	2361.16	2377.98	2463.27
48	Miscellaneous (24)	1850.76	+1.0	5.54	5.27	24.69	0.95	1832.75	1836.69	1844.63	1695.38
49	INDUSTRIAL GROUP (482)	1294.62	+0.7	8.19	4.47	15.28	3.17	1286.24	1292.61	1297.73	1097.83
51	Oil & Gas (18)	2130.07	+1.8	12.01	6.58	11.01	8.11	2092.54	2108.27	2118.97	2278.09
59	500 SHARE INDEX (500)	1370.82	+0.8	8.60	4.70	14.66	3.56	1360.29	1367.40	1372.98	1196.36
61	FINANCIAL GROUP (87)	718.50	+0.2	–	6.47	–	0.71	717.14	722.51	726.18	768.06
62	Banks (9)	873.71	+0.4	4.39	6.08	46.32	1.59	870.26	876.06	878.40	843.77
65	Insurance (Life) (6)	1402.53	+1.1	–	6.09	–	0.00	1386.63	1400.34	1410.41	1380.38
66	Insurance (Composite) (7)	491.46	-1.4	–	8.87	–	0.00	498.35	504.16	511.01	665.61
67	Insurance (Brokers) (10)	976.40	-0.2	7.92	6.84	16.61	1.80	978.61	989.68	997.62	1037.78
68	Merchant Banks (7)	471.37	-0.4	–	4.55	–	0.00	473.23	479.23	478.11	374.71
69	Property (33)	769.55	+0.5	7.48	5.90	18.31	0.44	765.71	767.61	771.61	995.60
70	Other Financial (14)	243.23	+0.7	8.18	7.35	16.14	0.00	241.58	241.89	241.86	253.07
71	Investment Trusts (68)	1179.90	+0.1	–	3.69	–	2.02	1178.88	1183.66	1184.85	1043.63
99	ALL-SHARE INDEX (654)	1215.54	+0.7	–	4.88	–	2.90	1207.23	1213.83	1218.83	1089.53

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Year ago
FT-SE 100 SHARE INDEX♦	2538.4	+21.2	2540.3	2506.0	2517.2	2534.3	2547.1	2556.8	2560.2	2279.0

FIXED INTEREST

	PRICE INDICES	Mon Feb 10	Day's change %	Fri Feb 7	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.44	+0.12	122.29	2.01	1.25
2	5-15 years (26)	137.08	+0.18	136.83	2.03	1.97
3	Over 15 years (8)	148.21	+0.17	147.96	2.61	0.36
4	Irredeemables (6)	164.46	-0.10	164.63	2.89	0.00
5	All stocks (66)	135.00	+0.16	134.78	2.11	1.57
	Index-Linked					
6	Up to 5 years (2)	168.39	+0.15	169.51	-0.04	1.37
7	Over 5 years (9)	150.13	+0.11	149.97	0.66	0.63
8	All stocks (11)	151.51	+0.11	151.52	0.56	0.72
9	Debs & Loans (62)	119.18	+0.35	118.82	3.09	0.46

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 10	Fri Feb 7	Year ago (approx.)
	British Government				
1	Low	5 years	8.65	8.70	9.49
2	Coupons	15 years	9.14	9.15	9.61
3	(0%-7¾%)	20 years	9.14	9.15	9.66
4	Medium	5 years	9.41	9.46	10.25
5	Coupons	15 years	9.23	9.25	9.99
6	(8%-10¾%)	20 years	9.19	9.20	9.94
7	High	5 years	9.65	9.69	10.41
8	Coupons	15 years	9.32	9.33	10.14
9	(11%-)	20 years	9.25	9.25	10.00
10	Irredeemables	†	9.34	9.33	9.94
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.84	3.87	3.90
12	Inflation rate 5%	Over 5 yrs.	4.27	4.28	4.21
13	Inflation rate 10%	Up to 5 yrs.	3.22	3.24	2.58
14	Inflation rate 10%	Over 5 yrs.	4.10	4.10	4.04
15	Debs &	5 years	10.86	10.89	12.47
16	Loans	15 years	10.62	10.66	12.14
17		25 years	10.46	10.50	11.84

♦Opening index 2507.4; 9 am 2508.1; 10 am 2522.9; 11 am 2523.3; Noon 2532.5; 1 pm 2533.7; 2 pm 2.30; pm 3; pm 4.10; pm (a) ; (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	3	17
Other Fixed Interest	6	1	10
Commercial, Industrial	333	222	924
Financial & Property	139	135	519
Oil & Gas	19	27	46
Plantations	3	1	5
Mines	28	39	83
Others	38	53	29
Totals	627	481	1,633

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991/92 High	1991/92 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†	F.P.	–	75	63	Capital Industries 1p	63		–	–	–	–
100	F.P.	–	101	99	Exeter Prfd. Capital	99		F0.6	–	0.8	–
–	F.P.	–	38	23	Fleming Japanese Wrrnts	38	+1	–	–	–	–
£10½	F.P.	–	£11½	£10⅞	Latin Am Inc & Appr. 1c	£11½	+⅛	–	–	–	–
–	F.P.	–	9	¾	Meltitrust Warrants	9	+3	–	–	–	–
–	F.P.	–	104	102	Riv & Mrc Tst Inc12 1/2p	104		N9.2	–	11.8	–
–	F.P.	–	121¼	117	Do. Stppd Prf 12 1/2p	121½	+1	N5.6	–	6.1	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	10p	8p	Bates Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	96½	Cambourne Inds. 10½pc Rd. Deb. 2001	105½	
100p	F.P.	-	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	110	+10
310p	150p	-	277p	187p	Inchcape Non-Int. Bearing Cv Uns Ln	270p	+1
100p	F.P.	-	105¼p	100¼p	NatWest Bank 9pc Prf Series A	100¼x	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
330	Nil	10/3	83pm	45pm	BM Group 10p	72pm	-1
60	Nil	16/3	35pm	7pm	♦Clarke Foods	34pm	+2
39	Nil	–	1½pm	1pm	Drummond	1pm	
150	Nil	11/3	24pm	23pm	Hi-Tec Sports	24pm	
185	Nil	11/3	74pm	66pm	Wheeoe	66pm	-4

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. N Dividend and yield based on prospectus or other official estimates for 1991-92. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 3
- Last Dealings Feb. 14
- Last Declarations May 7
- For settlement May 18

3-month call rate indications are shown on this page.

Calls in Brown & Jackson Pref., Conroy Petrlm., Flextech, Ivernia West, Johnson Matthey, John Laing, Lucas Inds., Medeva, Owners Abroad, Park Food, T & N, Union Discount and Waco.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons	600	44½	55½	72½	13½	25½	32½
(*622)	650	19½	30½	47½	37½	52½	58½
ASDA	34	6½	–	–	3	–	–
(*39)	40	–	6	8	–	6½	8
Brit. Airways	220	18	21½	29½	8½	13½	17½
(*225)	240	8½	14½	21½	18	25½	28½
SmKl Beecham A	950	48½	75½	100	31½	45½	56½
(*959)	1000	25½	50	75½	60½	71½	80½
Boots	420	37½	44	54	5	11½	14
(*445)	460	12½	20	32	20½	30	31
B.P.	280	13	18	22	10	14	18
(*285)	300	5	10	13½	22	26	29½
British Steel	70	7½	9¼	12	2¼	4¼	5¼
(*75)	80	3	5¼	7½	7	9½	11
Bass	500	29	40½	–	10	16½	–
(*511)	525	16½	26	39½	20	29½	32
C & Wire	550	59½	67½	77½	9½	16	23
(*593)	600	26	40	51	25½	36½	45½
Courtaulds	500	35½	47½	59½	10½	22	26½
(*517)	550	12	23½	35½	37½	47½	52½
Com. Union	420	35½	42½	–	10½	14½	–
(*451)	460	11½	22	28½	31½	34½	41½
Fisons	360	30	42	58	13	20	25
(*377)	360	30	42	58	13	20	25
	£	–	–	–	–	–	–
GKN	300	24½	29	32	10½	14½	20½
(*320)	360	2	7	–	54	55	–
Grand Met.	900	57½	87½	103	15	24	32½
(*928)	950	30½	57½	75½	38	45½	52½
I.C.I.	1250	39½	75½	95	58½	68½	84½
(*1258)	1300	23½	54½	73½	91½	99½	113
Kingfisher	500	32½	42½	52½	11	23½	29½
(*515)	550	11½	20½	30½	42½	52½	57½
Ladbroke	200	18	22	26½	7¼	12½	15½
(*211)	220	8¼	13	18	19½	22½	26½
Land Secur	460	20	26½	33½	13½	25	27½
(*461)	500	6	10	17	42½	51½	53½
M & S	300	22½	28	36½	7	11½	13½
(*311)	330	7	12½	21	23	26	30
Sainsbury	360	25	31½	41½	6	11½	14½
(*374)	390	9	16	25	21	27	30
Shell Trans.	460	22½	35	42	13¼	17	22
(*476)	500	5¼	17	24½	41	42	45
Storehouse	100	10½	13½	16½	4	7½	9½
(*106)	110	6	9½	11½	9½	12½	13½
Trafalgar	140	15	18½	23½	7½	13½	15½
(*146)	160	6½	10	15½	18½	24½	26½
Utd. Biscuits	390	18	27	35	13½	18	23
(*398)	420	6	14½	22	34½	36	40½
Unilever	900	42½	64½	87½	25	32	38½
(*920)	950	18½	39½	60½	54½	61½	66½
Ultramar	260	17½	25	–	13½	–	–
(*268)	280	8½	–	–	26	–	–

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero	280	18	29	39½	3¼	26	32
(*294)	300	6	18	29½	13	37	42½
BAA	550	22	47	54½	3	15½	22½
(*569)	600	1½	22	31	30	36	43
BAT Inds	650	15	38½	47½	8½	27½	41½
(*659)	700	1½	17½	27½	40	59	70
BTR	390	26½	35½	45	½	9½	12½
(*417)	420	4½	16½	26½	8½	22	26
Brit. Telecom	330	6½	22	29½	3¼	10	15
(*334)	360	¼	8¼	15	26½	28	31½
Cadbury Sch	420	32	42	55½	1¼	13	17
(*451)	460	5½	19	34½	13	30	34½
Eastern Elec	240	–	–	20½	–	–	18½
(*240)	250	1¼	12	–	11½	17½	–
Guinness	550	16	32½	46½	4½	18½	23
(*563)	600	1¼	11½	23	39½	47½	50½
GEC	200	8	16¼	18	1	4¼	9
(*207)	220	½	6½	9	13	14	19
Hanson	200	4¼	14½	17	2¼	7¼	9¼
(*203)	220	½	5	7¼	17	18½	20½
LASMO	220	16	22	26½	1¼	10½	14½
(*235)	240	2½	12½	19	7½	21	24
Lucas Inds	110	6½	10½	14½	1½	5	7
(*116)	120	1	6¼	10	5½	10½	12½
P & O	390	29½	39½	44	1¼	15½	20
(*418)	420	7	19½	28½	8½	30½	31½
Pilkington	120	6	13½	14½	1½	7	12
(*124)	130	1¼	9	10	7½	12½	17½
Prudential	220	9½	14½	21	1¼	9½	12½
(*228)	240	1	6½	12½	12½	22	23
Racal	51	4	–	–	¼	–	–
(*55)	60	¼	–	–	5½	–	–
R.T.Z.	500	24½	35	48½	2	16	22½
(*525)	550	1½	12	24½	29	47½	51½
Scot. & New	420	13	31½	39½	4½	13½	20
(*430)	460	1¼	13½	20	31½	34½	41½
Tesco	240	7½	15½	22½	2¼	9	12½
(*246)	260	½	7	12½	14½	21	22
Thames Water	370	6	–	–	6½	–	–
(*370)	390	–	16½	22½	–	29	39½
Vodafone	330	23½	38½	44	½	7	12
(*354)	360	3¼	21	27	10½	19½	25½

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat.	280	15½	22½	27	5½	10½	12½
(*293)	300	5	12½	17½	17½	20	23½
Amstrad	25	3¼	6	7¼	2¼	3¼	4¼
(*26)	30	2	4	5¼	5¼	7	8
Barclays	360	23½	28½	32½	9½	14½	22
(*379)	390	6½	14½	19½	27½	32½	38½
Blue Circle	240	17½	22	28	6	13½	17½
(*252)	260	8½	13½	19½	14½	24	28
British Gas	240	9	15	21½	5¼	12	14
(*242)	260	2½	7	12	19½	24½	26½
Dixons	220	19½	31	34	3	9	12½
(*237)	240	8½	19	22	11½	16	23
Eurotunnel	420	50	70	83	8½	22	26
(*456)	460	25	47	60	25	35	45
Glaxo	800	49½	86½	108	18	37	50½
(*829)	850	24	59½	81½	45½	61½	73½
Hawker Sidd.	750	42½	47½	–	1	12½	–
(*785)	800	13	21½	–	–	–	–
Hillsdown	160	11	16	18½	6½	13½	14½
(*162)	177	4	–	–	16	–	–
Lonrho	120	8	15½	19	8	12	18
(*120)	130	5	11½	14½	15	20	24
Midland Bk	220	18	29½	35½	6¼	11½	14½
(*235)	240	8½	20	27	13½	21	24½
National Power	215	12½	21½	25½	5	8½	12½
(*221)	235	3¼	11½	14½	16½	19½	22½
Reuters	1050	63	107	133	20	41½	51½
(*1096)	1100	32½	80	105	42½	63½	75
R. Royce	140	8½	11½	16	6½	9½	11
(*145)	160	1½	4¼	8	21	22	23
Scottish Power	100	3¼	8¼	9½	4½	7	10
(*100)	110	1¼	4¼	4¼	11	13	18
Sears	100	5½	8	10½	3¼	7½	9
(*102)	110	1½	4¼	–	9½	13½	–
Forte	220	10¼	14½	18½	5¼	13½	15½
(*222)	240	2¼	7	10½	17½	26	29
Thorn EMI	800	44½	71½	78½	6½	16	28
(*835)	850	16	43	50½	27½	36½	49½
TSB	120	8½	13½	15½	2¼	4½	7
(*127)	130	3¼	9	10	7	9½	12½
Vaal Reefs	60	6	9	10½	1¼	4¼	5¼
(*563)	70	1¼	4¼	6	8	9½	10½
Wellcome	1100	61	108	140	29½	58	70½
(*1127)	1150	36½	82	116	53½	83	95

EURO FT-SE INDEX (*2539)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Feb	22	173	126	82½	46½	20½	6	3
Mar	242	197	157	117	83	56½	36	19½
Apr	263	–	183	–	115	–	65½	–
Jun	295	–	219	–	153	–	98½	–
Sep	332	–	257	–	192	–	137	–
Dec	360	–	295	–	235	–	180	–
PUTS								
Feb	2½	3½	6	10½	23½	47½	85½	130
Mar	8	12½	19½	30	44½	67½	95	130
Apr	20½	–	37½	–	67½	–	114	–
Jun	35½	–	54½	–	84½	–	124	–
Sep	46½	–	61½	–	97½	–	135	–
Dec	60	–	80	–	110	–	150	–

FT-SE EUROTRACK 100 INDEX (*1138)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	–	110	87	63	42	25	12½	5
Jun	159	139	117	98½	–	–	–	–
PUTS								
Mar	–	2	3½	6½	9½	19	30	47
Jun	4½	6½	10	12½	–	–	–	–

FT-SE INDEX (*2539)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Feb	200	152	106	64½	31½	11½	4	1½
Mar	223	179	138	99	68	43	25½	14
Apr	245	204	166	132	104	77	55½	38½
May	263	224	188	155	124	98½	75½	56
Jun	–	239	–	167	–	112	–	70
Dec †	–	310	–	245	–	190	–	140
PUTS								
Feb	3	5	9	17½	37	72½	116	166
Mar	12	17	26½	39	59	87	124	165
Apr	24½	33	45	60½	81½	107	137	174
May	34	43½	56½	75½	96	118	149	183
Jun	–	50½	–	79	–	125	–	190
Dec †	–	80	–	115	–	155	–	210

February 10 Total Contracts 21,513
Calls 12,768 Puts 8,745
FT-SE Index Calls 2,802 Puts 4,317
Euro FT-SE Calls 853 Puts 569
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price † Long dated expiry mths
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	60	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**	
Bowater	55	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK COMPANY NEWS

Exco's future settled via placing with institutions

By Richard Waters

THE FUTURE of Exco, one of the City's leading money brokers, was finally resolved last night with news that the majority of its shares are to be placed with a group of investment institutions.

Exco's future has been uncertain since the collapse nearly two years ago of its parent, British & Commonwealth, the financial services group. Attempts by the B&C administrators to float the group or find a buyer came to nothing.

Mr Stephen Adamson of Ernst & Young, one of the group's administrators, said that more than 50 per cent of the company's shares were to be sold to "half a dozen" institutions assembled by NM Rothschild, the merchant bank.

The expected sale price, which has yet to be concluded, was not disclosed. However, it is thought to value the money broker at considerably less than the £100m the administrators might have hoped to receive had the sale taken place at a more favourable time.

Mr Adamson said the administrators had kept an undisclosed number of shares in Exco for sale in future when conditions improve.

The B&C administrators also said that they were close to paying out more than £200m to creditors of B&C, which was brought down by losses at its Atlantic Computers leasing subsidiary.

Following a scheme of arrangement agreed by B&C creditors, and subject to court approval, £170m will be paid out in April to creditors of the B&C holding company and its finance subsidiary, B&C Group Finance. This would be the first payment, and would amount to 5p in the pound for creditors, together with 12p interest, Mr Adamson said.

Creditors of the holding company should eventually receive back 23p in the pound, while the finance subsidiary is expected to pay 37p in the pound, he said.

Also, the administrators are close to paying out more than £60m to creditors of British & Commonwealth Merchant Bank, equivalent to 20p in the pound. These creditors have already received 45p in the pound.

Ratners' chief unveils plan to restore sparkle in the UK

By John Thornhill

MR JAMES McAdam, who last month became executive chairman of Ratners Group, has wasted little time in setting a new course for the struggling jewellery company.

Yesterday, he announced a move to restructure the UK jewellery operations under a single management board, resulting in the departure of Mr Victor Ratner as deputy managing director responsible for buying and merchandising.

Mr Gerald Ratner, Victor's cousin and former chairman, will resume a more direct executive role by chairing the new UK jewellery management board. Its aim will be to co-ordinate the operational activities of the Ratners, H Samuel and Ernest Jones chains more efficiently.

The City reacted favourably to the news and analysts suggested the move was an encouraging sign that Mr McAdam was already getting to grips with the business.

But Mr McAdam stressed he was not stamping his authority on the company for the sake of it. "We have created a sensible operational structure. Gerald is driving the business forward at the sharp end. That is what he likes doing and does best."

Mr McAdam said the decision was amicable and had been fully supported by Mr Gerald Ratner: "He is as supportive of this decision as I am. We are together on this".

Mr Victor Ratner will be compensated for loss of office but will remain as a consultant on a three-year contract. "He has been with the company for 13 years and has a lot of experience in buying. That expertise will still be available to us as required," said Mr McAdam.

"What one reads between the lines is that Gerald is taking a more active role in the business and the company cannot afford to employ two Ratners on large salaries," said one analyst, who pointed out that Mr Victor Ratner's consultancy contract would presumably prevent him from setting up in competition to Ratners Group.

Mr Masarrat Hussain, 57, the administration director who has worked at Ratners for more than 30 years, will at his own request also retire from the company at the next annual meeting.

James Wilkes' chairman to quit board

By Richard Gourlay

MR STEPHEN Hinchliffe yesterday resigned as chairman of James Wilkes, the engineering group which is fighting a hostile £35.8m bid from Petrocon, the engineering and surveying group.

He will receive termination payments of about £533,000 and has approached the company with a view to buying some Wilkes assets including Beauchief Hall, the head office in Sheffield, and the helicopter owning subsidiary.

Mr Arthur Watt, the group managing director who takes over as chairman, said that if the board accepts Mr Hinchliffe's proposals the group's debt and overheads would be substantially reduced.

On Friday Mr Hinchliffe was ousted from the board of Lynx Holdings, the leisure and computer services group where he was chairman, in an institutional coup triggered by the perception that head office spending was out of control.

Mr Watt said the new board had different ideas about head office costs. "The helicopter division is for sale, head office will be moved and any excesses will not be continued," he said.

Petrocon immediately criticised the severence payment. "In a desperate effort to escape Petrocon's offers, Wilkes has been forced to jettison its chairman and some of its extravagancies," it said.

Mr Hinchliffe's departure in no way reduced the blame for the demise of the company's fortunes from co-directors he leaves behind, the bidder added.

More than 28 per cent of Wilkes shareholders have already accepted the Petrocon offer, which is thought to lie behind Mr Hinchliffe's decision to quitleave the board.

The unembroiling of the broiler market

Guy de Jonquières on Hillsdown's plucking of Unigate's chicken wing

RARELY CAN a single business deal have pleased everybody in an entire industry as much as yesterday's announcement that Hillsdown Holdings is to relieve Unigate of its deeply troubled JP Wood chicken operations.

For Mr Ross Buckland, who joined Unigate as chief executive 15 months ago, the deal is a much-needed opportunity to make good on pledges to improve the dairy group's flagging fortunes by stemming an increasingly heavy drain on profits.

For Hillsdown, the acquisition provides the means to discipline a competitor which seemed to be running out of control. And for the rest of the UK poultry industry, it raises hopes of an end to the chronic excess capacity and vicious price-cutting which plunged the market into turmoil.

Behind the Wood *débâcle* lies an extraordinary story of over-ambitious expansion, commercial misjudgments and sheer bad luck which began three and a half years ago, when Wood opened the UK's biggest chicken plant in the industrial wasteland near Scunthorpe, on Humberside.

The idea behind the £55m plant was straightforward enough. By using production-line techniques to achieve big scale economies, the plant would drive down unit costs and squeeze less efficient rivals out of the highly fragmented industry. Almost from the outset, the idea proved misconceived.

Initial plans had been to export to the Continent most of the planned output of 1m birds a week. But they were soon abandoned after it turned out that Germany was the only sizeable EC country which was a net importer of chickens – and others were already competing hard for its market.

When Unigate shifted its sights to the UK, the predictable result was to create a production glut and falling prices in a market where supply totalled about 10m birds a week. The glut was made worse when some competitors responded, not by scaling back capacity, but by expanding it.

From that point on, the miseries multiplied. In 1989, the US drought pushed up feed prices, and with them the plant's costs. Then the salmonella scare dented consumption and added still further costs in the form of special government-imposed inspection charges.

The final blow was the Gulf war. French poultry producers, which depended heavily on Middle East export markets, diverted large volumes of chicken to the UK. By selling at what the British industry considers ruinously low prices, they captured 15 per cent of the market last year.

According to Ministry of Agriculture figures, volumes of poultrymeat production rose last year by 3.7 per cent to a record 1.05m tonnes. However, the value of output slipped £3m to £878m.

Some critics doubt that the Scunthorpe plant could have been profitable even without so many setbacks, arguing that it was also critically handicapped by inexperienced management and the wrong product mix.

Half its current production of 750,000 broilers a week are frozen birds, commodity items which command lower prices than fresh and partially prepared chickens.

Unigate considered trying to move the plant upmarket into "value added" products, such as coated or stuffed chicken. However, that would have brought it into direct conflict with leading customers which supplied such products themselves and who would have responded by cancelling orders.

Wood, which also includes two smaller plants in Wales and associated hatcheries, rearing and growing businesses, lost £6.6m in the year to March 31. Unigate says the rate of loss has since accelerated, and City analysts were recently putting it at £15m for this year.

Small wonder that one of Mr Buckland's first decisions after he moved in at Unigate was to seek a buyer for what has been unkindly dubbed the "kamikaze chicken" business. Talks with Hillsdown, long considered the only serious candidate, began last summer.

Most analysts agree that Hillsdown was obliged to buy Wood if it was to stay in the poultry business. Indeed, some suggest that Unigate may even have kept the operation running at an uneconomically high level of output – and thereby contributing to a general weakness in poultry prices – partly to put pressure on Hillsdown to do a deal. "It seems to have been, quite literally, a game of chicken," says one.

Hillsdown is estimated by Henderson Crosthwaite, the stockbroking company, to have made a £12m operating profit on its chicken business in 1990.

Chicken operations needed an industry-wide realignment

However, Henderson believes that this turned into a £8m loss last year despite cuts in production, particularly of frozen birds.

Hillsdown needs swiftly to apply its skills at cost-cutting and rationalisation to the merged businesses if it is to avoid a steadily rising stream of red ink. Though it declined to spell out its plans yesterday, they seem certain to include extensive plant closures, though the Scunthorpe facility is expected to survive.

Some analysts were suggesting that industry excess capacity is so acute that Hillsdown may need to reduce the merged businesses to not much more than the size of its existing operation, if they are to be profitable.

Sir Harry Solomon, Hillsdown chairman, sounded confident yesterday, pointing out that the protracted negotiations on the deal have allowed the company plenty of time to work out exactly what needs to be done. "We believe this deal will enable us to compete with anyone," he said.

Hillsdown's timing may also be opportune. A recent reduction in broiler chick placings – an important leading indicator – suggests that the chicken cycle may at last be bottoming out, while French producers are said to be re-orienting their export drive back to the Middle East.

Longer term, Sir Harry expects demand for chicken to continue developing: "It's a very cheap food, and the British eat a lot less of it than do the Americans. Of all the markets Hillsdown is in, this is one of the fastest growing."

However, even if yesterday's deal paves the way for a return to more stable market conditions, the chicken industry is likely to remain a relatively low-margin business, increasingly dominated by supermarkets' cut-price private label products.

For Hillsdown, more is at stake than just the future of its chicken business. Once a City high-flyer, it has steadily lost popularity there, particularly since a failed rights issue last autumn.

The deal offers the company an opportunity to regain favour by demonstrating one of its strongest suits, an ability to turn round troubled acquisitions. The market will doubtless form its own judgment about whether Hillsdown has been right to double its stake in the chicken business – or whether it would have been more prudent to have called it quits.

Boardroom shake-up at Brown & Jackson

By Norma Cohen, Investments Correspondent

MR IAN Gray, a former director of Thorn EMI, has been appointed chief executive at Brown & Jackson, the discount retail chain.

Mr Gray, who had run Thorn's HMV and Rumbelows chains as well as its UK rental division, replaces Mr Andrew Reid.

Mr Reid's resignation had been sought by a group of institutional shareholders who had been concerned over his role in the acquisition of the former ATI subsidiary.

ATI was purchased in 1988 from a group which included Mr Brian Duffy, then Brown & Jackson chairman, in a transaction ultimately valued at £18m.

Over the 1991 year, ATI incurred an estimated net loss of £2.3m and a recently completed review by Brown & Jackson's financial advisers found that some of its earlier profits may have been questionable.

Mr Gray said that he would seek a refinancing of the company, probably through a rights issue.

He dismissed speculation that the company would sell its Poundstretcher discount retail chain, saying he would take over direct management of its operations.

"The future of the company will be built around Poundstretcher," he said.

Mr Christopher Roshier and Mr Gerald McLeod have joined Brown & Jackson's board as non-executive directors, while two former directors, Mr Robert Dowds and Mr Charles King, have resigned.

Mr Michael Kerrison, finance director and Mr Henry Bliss, corporate development director, remain on the board.

Institutional shareholders had said they would not agree to a rights issue unless the company disposed of the ATI subsidiary and brought in a new management team.

NEWS DIGEST

Cattle's to seek listing for Rosebys

CATTLE'S (Holdings), the financial services group, is to seek a separate listing for Rosebys, its household textiles, curtains and accessories retailing subsidiary, later this month by way of a placing.

The additional capital will allow Rosebys to repay its indebtedness of £2.6m with Cattle's and provide for continued expansion. Cattle's would receive total net funds in excess of £7m and retain about 45 per cent of Rosebys' enlarged capital.

Cattle's believes it can achieve a price for the shares it will sell which adequately reflects Rosebys current value and prospects. For 1991, Rosebys is expected to produce pre-tax profits of £2.1m.

A special interim dividend of 0.5p, for 1992 only, will be declared by Cattle's, to be paid with the final dividend for 1991.

Asset dip at English & Caledonian Inv

Over the six months to December 31 1991, net asset value of English & Caledonian Investment fell further, from 193.4p to 188.9p. At the end of 1990 it had stood at 210p.

In the latest half-year, revenue totalled £342,000 (£271,000). Earnings advanced to 3.3p (1.39p) and the interim dividend is raised to 1.25p (1p).

Mid Wynd Intl net assets ahead

Net asset value per share of the Mid Wynd International Investment Trust rose from 233.3p to 279.4p over the year to December 31, having risen to 290.5p at June 30.

The net asset value rose by a further 5.8 per cent to 295.5p in the month to end-January.

Available revenue for the half-year to December 31 was little changed at £207,743 (£212,127) and earnings amounted to 4.14p (4.22p) per share.

The interim dividend is lifted to 2.4p (2.3p) and directors hope to recommend "some increase" in the final – 3.4p was paid previously.

Gartmore American income expands

Gartmore American Securities achieved improved total revenue in the nine months to December 31 1991, amounting to £2.12m, against £1.92m last time.

Earnings per share worked through at 3p (2.8p). The increased interim dividend – 1p, compared with 0.9p – was announced last month.

At the end of 1991, net asset value per share was 34.2p, compared with 41.8p at the end of September.

CH Bailey reduces losses to £306,000

CH Bailey, the ship repairing and diversified engineering contractor, cut its pre-tax losses from £807,209 to £305,604 in the 28 weeks to October 11 1991.

The company said, however, that the results – where turnover fell 28 per cent to £2.1m – reflected the "pessimistic comments" in the last statement.

Losses per share were reduced to 0.47p (1.44p) after another period when no tax was levied.

The company expressed concern that another bill had been presented to parliament for approval to build a barrage across Cardiff Bay, thereby making ship repairing at Bailey's Bute Dry Dock impossible without "substantial capital expenditure and long-term guarantees of tenure".

Also the head office and the woodworking company would have to be relocated, the company said.

Bailey is petitioning against the bill.

Lloyds trust falls short of £30m target

Lloyds Bank has raised about £24.5m for its smaller companies investment trust.

The amount raised falls short of the maximum £75m which the trust allowed for, and of the £30m which was mentioned as a likely target during the trust's marketing.

Applications for 24.5m packaged units, at 100p each, were received.

Net asset value falls 30% at EFM Java

Net asset value per share of EFM Java Trust stood at 25.91p at December 31. The figure represented a 30 per cent decline from the 37.15p a year earlier and a fall of almost 40 per cent from 42.88p at the interim stage in June.

Earnings emerged at 0.28p (1.2p) and directors recommended a dividend for the year of 0.06p – 1p was paid for the period from April 25 to December 31 last year.

Austrian expansion for John Brown

John Brown, the engineering subsidiary of Trafalgar House, the international construction and shipping group, has set up a joint venture with Voest-Alpine Industrieanlagenbau of Austria.

Under the deal, John Brown will take 50 per cent stakes in VAI's five active process engineering units.

MSI pays £1.5m to settle FKI dispute

MS International has agreed terms with FKI Electricals for settling the long-running dispute relating to claims and counter-claims arising from the disposal of Laurence Scott and Electromotors and Laurence Scott and Electromotors (Wolverhampton) to FKI in June 1986.

MSI will pay a total of £1.5m in three equal interest-free instalments this month, in July and next January. Both sides will waive any further claims and bear their own costs. The settlement will lead to an extraordinary charge of £2m in the accounts of MSI for the year ending May 2.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Baldwin ......fin	1.4	Apr 1	1.4	2.8	2.8
EFM Java Trust ......fin	0.06	Mar 19	1‡	0.06	1‡
Eng & Caledonian ......int	1.25	Apr 10	1	-	3.15
Mid Wynd Intl ......int	2.4	Apr 6	2.3	-	5.7

Dividends shown pence per share net except where otherwise stated.
‡For eight months.

UK COMPANY NEWS

Imro authorised BIM despite shortcomings

By Norma Cohen, Investments Correspondent

FINANCIAL services regulators were uneasy about authorising Mr Robert Maxwell's fund management companies, but did so nonetheless and made no special efforts at oversight afterwards, a Parliamentary select committee was told yesterday.

Mr John Morgan, chief executive of the Investment Management Regulatory Organisation (Imro), told the Select Committee on Social Security that there had been unease about authorising Bishopsgate Investment Management in February 1988. "But there were no sustainable grounds for denying membership in Imro."

Although Imro – the industry's self regulatory body – was aware of a 1971 Department of Trade and Industry report which said Mr Maxwell was *not fit to run a public company*, the report was 17 or 18 years old and no action was taken," he said – and the fact that bankers and investors had backed Mr Maxwell since then aided his credibility.

It was only after Mr Maxwell's death last November that Imro became concerned about the fund management companies.

Terms of the Financial Services Act of 1987 required firms such as BIM and another Maxwell *company, London and* Bishopsgate International Investment Management, to be authorised by Imro to conduct investment business.

BIM, a company ultimately controlled by Maxwell-run charitable trusts in Liechtenstein, had the Maxwell company pension funds as its sole clients.

And despite the apparent disappearance of about £300m of Maxwell pension fund assets managed by BIM, Mr Morgan said he still believes current regulatory arrangements are *satisfactory*.

Mr George Nissan, Imro chairman, added "the only way to prevent this is to have a regulator in the office of all of our members all the time".

Shortcomings had been found at BIM in assessment visits, but these were not considered serious, said Mr Robin Clark, director of Imro's member assessment unit.

These shortcomings included the failure to keep dealing slips *showing records of transactions* and the failure to require staff to disclose all personal share dealings.

Mr Clark said Imro had received written assurances from BIM that procedures had been corrected and saw no need for verification.

Similarly, after accountants qualified the reports for LBII, Mr Morgan said Imro relied on assurances from accountants that shortcomings had been corrected.

Mr Clark also said that Imro was well aware that BIM *invested assets connected with* Robert Maxwell but felt satisfied that these were disclosed to pension fund trustees. Failure to disclose such self-dealing could be grounds for disciplinary action.

Granada gives commitment on programming

By Raymond Snoddy

Top Granada executives yesterday gave formal commitments that the company will remain a producer of properly funded programmes.

The undertaking were given by Mr Alex Bertstein, chairman of Granada and Mr Gerry Robinson, chief executive, at a meeting with Mr George Russell, chairman of the Independent Television Commission and Mr David Glencross, ITC chief executive.

The meeting followed widespread concern after Mr Robinson sought the resignation of Mr David Plowright, executive chairman of Granada Television.

The ITC said last night that the Granada executives confirmed that the company would remain a producer-broadcaster, making rather *than commissioning most of its* work. Programme commitments would also be properly resourced.

Aitken Hume sells back Bachmann to its founder

By David Barchard

AITKEN HUME International, *the financial services* and investment group, is to sell back Bachmann Group, the Guernsey-based financial services operation which it bought in 1987, to Mr Peter Bachmann, its founder.

The deal releases Aitken Hume from deferred payment commitments made when the 1980's economic boom was at its height.

Under the terms of the now superseded 1987 deal, Aitken Hume would have had to pay £16.1m in new shares over the next 18 months.

Uncertainty over the form in which Aitken Hume would pay for the remainder of the price caused Coopers & Lybrand Deloitte to qualify the company's 1990 accounts.

"We are absolutely delighted at this resolution of the problem," *said Mr Ziad Idilby*, chairman and chief executive of Aitken Hume yesterday. He said the two sides had been negotiating a settlement.

Though Bachmann is nominally being sold for £17.8m, this amount will be offset by the return of a 23.9 per cent stake in Aitken Hume from Mr Bachmann and his companies. Net cash from the sale for Aitken Hume will be £1m.

Bachmann Bank, which was established by Aitken Hume but renamed after it bought the Bachmann group, is not part of the sale.The agreement includes clauses to ensure that its client business is not disrupted by the sale of the other Bachmann companies and it will continue to operate from Bachmann premises.

Aitken Hume made pre-tax profits of £3m in the year ended March 31 1991 after a £1.7m exceptional charge; in the six months to Sept 1991 it *reported profits of £2.6m.*

Bachmann Group recorded turnover of £4.8m and pre-tax profits of £1.74m in 1991.

Leisure side behind rise to £2.28m at Baldwin

By Angus Foster

BALDWIN, the holidays, printing and properties group, lifted pre-tax profits by 8 per cent to £2.28m in the year to end-October 1991.

The improvement was achieved in spite of a £616,000 loss at a subsidiary where operations have since been discontinued.

The outcome was largely due to Baldwin's leisure division, which made profits of £1.49m against £1.06m a year ago.

The division's share of overall profits increased from 49 per cent to 65 per cent.

Keycamp Holidays, which specialises in mobile home and camping holidays in France and Spain, increased sales by *17 per cent.*

Looking ahead, directors said the leisure side was continuing to prosper and that currently, bookings were substantially in excess of the previous year.

Group turnover fell slightly to £26.9m (£27.9m). This reflected depressed performances from the printing division, where profits fell to £271,000 (£405,000), and from property, down from £347,000 to £218,000.

Basic earnings per share emerged at 8.3p (7.8p) and a *proposed final dividend of 1.4p* makes an unchanged 2.8p total.

The company has accumulated more than £5.5m in cash and has looked at a number of possible acquisitions, although no substantial new purchases were made during the year.

Baldwin will continue to look for acquisition targets if they have good prospects for growth, directors said.

ICI sells computer subsidiary for £2m

Imperial Chemical Industries has sold its ICI Computer Systems subsidiary, part of its chemicals and polymers division, to P & P, one of the largest UK personal computer *dealers. The purchase price* was about £2m. P & P reported last week a profits collapse for the year ended November.

Spurs' shares rise on return to black

By Jane Fuller

TOTTENHAM HOTSPUR, the north London football company which recently returned from Stock Exchange suspension after a financial rescue, yesterday announced its first pre-tax profit for two years.

In the six months to November 30, which includes most of the close season, it made £810,000 pre-tax, compared with a loss of £2.14m.

The share price gained 8p to close at 90p yesterday. This is above the 75p per share that Mr Alan Sugar, head of Amstrad and *Tottenham chairman, and* Mr Terry Venables, team manager turned chief executive, paid for control last summer, but below the recent 125p rights issue level.

Turnover improved to £9.22m (£8.9m), although the continuing football-related business showed a 43 per cent advance. Since the first half of last year, clothing and other non-core activities have been closed or sold.

Mr Colin Sandy, finance director, *said* that cup runs, fees for televised games, increased attendances and the first year of the Umbro kit sponsorship deal had all helped. Interest costs fell from £1.19m to £750,000, as rates came down.

The rights issue, announced in December and largely underwritten by Mr Sugar, *brought in £7m, reducing bank debt to* £5.9m.

Mr Sandy said it had since been cut to less than £5m. This would be wiped out if the planned sale of Paul Gascoigne, the injured international player, goes ahead at the end of May after a medical examination.

Profits on the sale of other players, including Gary Lineker, were partly offset by the purchase of *Gordon Durie, leaving* £274,000 (£249,000) net.

Earnings per share were 8p (losses 21.2p) on 10.2m shares in issue. The 4-for-7 rights issue will add 5.82m shares for just over four months to the full-year figures.

No tax was charged because of previous losses.

The lack of distributable reserves prevented an interim dividend being paid. Tottenham said it was planning to restructure the balance sheet to allow a final payment.

Problems of meeting the all-seater deadline

Jane Fuller on soccer club funding following the Taylor Report

NO SOONER has West Ham United football club announced considerable sweeteners to help sell its unpopular bonds, than another first division club is contemplating putting its toe in these uncertain waters.

Leeds United, lying second in the first division, is considering raising £3m by selling bonds at £500 each.

The amount is modest compared with the £16.5m sought by Arsenal and the £11m to £15.5m target at West Ham.

It will hope to follow in the footsteps of Glasgow Rangers, so far the only football bond scheme to nearly sell out. But the experience of West Ham, where little more than 1,000 of the 19,300 bonds have been sold, shows how this form of fund-raising can run into trouble.

Debenture bonds give fans the right to seats at favourable prices – but still at rather more than they pay to stand. They have been issued mainly to raise money for stadium improvements required after the Taylor Report into the Hillsborough disaster.

It has been estimated that the building work could cost the 93 clubs in the English league a total of £360m. Grants from the Football Trust are so far expected to total about £150m.

With a ceiling of £2m on individual grants, the shortfall at Arsenal, for instance, is more than £20m.

The Hammers Bond was the third such scheme launched by a football club. It followed success at Rangers, but a cool reception for Arsenal's £16.5m effort, which is 40 per cent sold after eight months.

In West Ham's case, not only did the original offer flop, but the protests included a large and angry demonstration on the pitch after one Saturday afternoon match.

Mr Graham Watson, a financial adviser to all three issues, as well as to the £36.7m Murrayfield debenture for the Scottish Rugby Union, said: "West Ham went into a period of playing badly and the bond has become a scapegoat for all sorts of things."

It illustrated the "intangibles" that had to be taken into account when setting up these issues. "You learn from each one. There were bound to be some teething troubles."

West Ham's original scheme differed from the other two in some important respects. At 19,300, the number of bonds far outstripped the other issues and they accounted for a high proportion of the average gate of 23,000.

The plan was to spread the cost of redeveloping Upton Park across all the fans, throughout the ground. Both Arsenal and Rangers attached their bonds to particular stands.

The Hammers Bond was, however, cheaper than the other two at between £500 and £975, whereas Rangers' was £1,000 to £1,650 and Arsenal's £1,100 or £1,500.

To a West Ham or Arsenal supporter, paying perhaps £6 to stand behind the goal, these sums looked high. Rangers, on the other hand, put a new tier on the stand at the side of the pitch, cashing in on an excess demand for better seats.

With average gates below the ground capacity, neither Arsenal's nor West Ham's bond offer could exert anything like the pull of, say, England's international rugby programme.

At Twickenham, which has just put another 11,000 bonds on sale at £2,000 each for 10 years (much shorter than the football clubs'), more than 200,000 applications are received for 60,000 tickets to see big internationals.

Arsenal has the advantage that new impetus may be provided next season when construction work will reduce the capacity to 29,000, below the 33,000 average gate.

Mr Watson said that this should provide a new impetus to the bond, which has suffered because of delays in getting planning permission for the new stand.

The amounts that both Arsenal and West Ham are attempting to raise always looked ambitious. Manchester United, the best supported club in England, raised less than £5m from the public as part of *its flotation last year.*

Tottenham Hotspur's change of ownership and rescue has sucked in more than £10m, but most of it came from the traditional source of a rich individual's pocket.

Nevertheless, the normally cautious Bank of Scotland was prepared to underwrite 87 per cent of Arsenal's issue and 75 per cent of West Ham's.

To breathe new life into its scheme, West Ham is now offering bondholders up to £100 off season tickets. Leeds has gone for this approach from the start, proposing this level of reduction for seven years.

As Manchester United has pointed out, however, this means sacrificing future revenue. Its burden will instead be the dividend payment.

For smaller, less profitable clubs, public or private share issues seem impracticable. West Ham said the short time limit on acceptances and the need to meet a minimum subscription level meant these options were not viable.

The problem gains urgency against the background of losses made by many clubs and their existing debt. Mr Simon Pitt, a management consultant, has just published a survey which puts the combined debt of the English league clubs at between £90m and £130m.

Mr Watson said that the "harsh facts of financial life" had yet to come home to many clubs. To find the money for stadium redevelopment, either players' transfer fees and wages would have to come down or fans would have to pay up.

Assuming that the growing lobby for a relaxation of the Taylor requirements does not succeed, bonds will in fact remain one of the less difficult ways for clubs to raise some money over the couple of years that remain before the all-seater deadline.

Compromise plan offered on EC farm policy reform

By David Gardner in Brussels

THE CURRENT Portuguese presidency of the European Community yesterday presented its promised compromise "working paper" on the reform of the Common Agricultural Policy, which seeks to loosen the Brussels package without altering its shape or design.

On cereals, the central chapter of the reform plan, the presidency paper raises the possibility of higher compensation for cuts in the support price of 35 per cent over three years, and for the land set aside to enforce production restraint.

However, this proposal contains two caveats that should hamstring ministers keen to secure more income for their farmers. Higher direct compensation for the cuts would only be made "if possible in budgetary terms", and if it did not cut across the intention of making cereals prices competitive.

The European Commission will today unveil a five-year budget revision proposal that is already likely to be forensically examined by member states for unnecessary spending. It foresees CAP outgoings rising from Ecu35.3bn (£25bn) this year to Ecu38.6bn in 1997, at 1992 prices, but with a bulge caused by the compensation payments in 1995 and 1996, which would raise the farm budget to around Ecu40bn.

Compensation for cereal price cuts will alone rise to Ecu13.1bn by 1996, with additional spending on environmental and early retirement measures costing a further Ecu1.8bn. Even though savings from price cuts turn this into a net increase of Ecu4.7bn, commission officials see little prospect of any further rise.

The rest of the Portuguese compromise is a shopping list of member states' most vigorously pressed demands, some of which the commission is discreetly welcoming as useful political grease to ease the passage of the reform.

Thus, the UK's complaint that limits on premiums to sheep farmers in disadvantaged hill areas discriminated against Britain's large flocks has surfaced in the Portuguese plan as an increase in the eligible headage of sheep from 750 to 1,000. Similarly, the compromise loosens the commission's limits on the number of both dairy and beef cows per hectare which would receive a premium payment, raising it from 1.4 to 2.

Greek and Italian tobacco farmers facing a sharp cut in the quota financed by the EC have had 10,000 tonnes added back. And for dairy farmers, there will in addition be more flexibility in the management of quota cuts.

Low Cuban sugar crop forecast

By Damian Fraser in Mexico City

CUBA'S SUGAR crop is at best likely to be 6.5m tonnes in 1991-92, about 1.1m tonnes less than in 1990-91, according to a group of sugar experts who gathered together in the Dominican republic under the auspices of the (moderate) Cuban exile group, Sociedad Economica de los Amigos del Pais.

The experts – who included a senior official from the US Department of Agriculture, analysts from F.O. Licht, the German sugar statistics agency, Scudder Group, Czarnikow, the London trade house, and assorted academics – believed that Cuba failed to harvest any sugar in the last two months of 1991. This would reduce the seasonal (November-June) harvest by between 300,000 and 1m tonnes.

In January harvesting appears to have been very slow. Even if the weather holds up, the experts agreed that Cuba would be lucky to produce 6.5m tonnes this year, given the shortages of spare parts, poor maintenance of equipment, and problems in the field. The onset of rain would push the forecast even lower, said Mr Gerry Hagelberg, of F.O. Licht.

In November the USDA estimated that Cuba's production would reach 7.3m tonnes. Mr Peter Buzzanell, the official responsible for estimates, suggested that the department would formally revise its estimate downwards as early as this week.

The drop of production, if it materialises, will hit Cuba's battered economy hard – for the first time it is having to sell sugar (usually 75 per cent of exports) at world, rather than preferential prices. But it will come as welcome news to the world sugar market, which has been bracing itself for a flood of sugar after the collapse of Cuba's barter trade with the former-Soviet Union.

In the nine months to last September, Cuba exported 6.15m tonnes of sugar, of which 3.7m tonnes went to the Soviet Union, 740,000 tonnes to China, about 500,000 tonnes to Japan and Canada and the remainder to assorted countries. In the full year Cuba promised to send the Soviet Union 4m tonnes of sugar in return for 10m tonnes of oil and other products. (An exchange that valued Cuban sugar at about 24 cents a lb, compared with a world price of 8 cents a lb).

This year, however, Cuba has had to renegotiate with ex-Soviet Union states. So far Russia has agreed to buy (with oil) 500,000 tonnes of Cuban sugar, with an option to buy another 500,000 tonnes; Kazakhstan will take another 200,000 tonnes, with an option for 200,000 tonnes; and Latvia 50,000 tonnes.

Cuba will thus have to find a home for about 1.5m tonnes of sugar that in the past went to the Soviet Union, assuming production at the lower 6.5m tonnes (and exports at around 5.4m tonnes), and the options fully taken up. Some of this excess sugar will go to other ex-Soviet states that have yet to sign trade agreements with Cuba, and, says Mr Hagelberg, perhaps as much as 400,000 tonnes to Iran and South Korea.

Nevertheless the world markets could still be expected to absorb about 1m tonnes of extra Cuban sugar this year – unless Cuba's crop deteriorates still further.

Australian mine ruling challenged

NEW CREST Mining yesterday took the Australian federal government to the High Court, challenging a Cabinet decision last year to ban mining of gold, platinum and palladium at Coronation Hill in the Northern Territory, writes Emilia Tagaza in Canberra.

The company, on behalf of the Coronation Hill joint venture, claimed that the government's June declaration of Coronation Hill as part of the Kakadu National Park, which closed it to all mining activities, was unlawful.

New Crest's managing director, Mr John Quinn, said the joint venturers acknowledged that governments had the right to act in what they judged to be the national interest. "However, if their action has an impact on private property rights, it is only fair that the owners be compensated for the full value of that property."

The other members of the joint venture are Plutonic Resources, an associate of Malaysia Mining Corporation, and Norgold.

German group close to Indonesian copper deal

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the German metals, mining, and engineering group, is near agreement on a $500m smelter and refinery project in Indonesia in which it will combine with Japanese, US, and local partners to produce copper for the fast-growing domestic market

At the same time, it is involved in negotiations about a zinc smelter in Thailand, which would cost about $300m. In this venture, which would also act as a recycling centre for metallic waste from steel plants in Asia, mainly Japan, Metallgesellschaft will work with a big Thai mining concern.

No announcement on either deal has yet been made by the Frankfurt-based group, which intends to use the latest environmental technology in the planned Asian smelters. Its world-wide mining and metallurgical activities already include operations in Germany, Canada, Alaska, Papua New Guinea, Turkey, Tunisia, and Australia.

Metallgesellschaft's stake in the Indonesian smelter, which will produce 150,000 tonnes of refined copper a year at Gresik near the port of Surabaya in eastern Java, will be 55 per cent. Both Nippon Mining of Japan and Freeport MacMoRan of the US will have around 20 per cent each, with the Jakarta government and Indonesian business interests sharing the rest.

Industry sources said the Gresik project would eventually enable Indonesia to meet its own copper demands instead of exporting the metal in concentrate form for outside processing, mostly in Japan, and importing it back for domestic use. Financing is being arranged by an international banking consortium, including German banks.

In the Thai venture, Metallgesellschaft will probably have a 49 per cent participation, with Pateng Industries owning 51 per cent. Eventual output of 80,000 tonnes of zinc and 30,000 tonnes of lead a year is planned. Both projects will be operated by subsidiaries of the German group: Rheinische Zinc in Indonesia and Norddeutsche Affinerie in Thailand. Lurgi, also part of Metallgesellschaft, is likely to be involved in building the smelter plants.

● Finnish mining and metals company, Outokumpu, has decided to shelve a plan to build a copper smelter at Sines in Portugal, reports Reuter from Helsinki. Instead, it will examine options for the longer-term development of its Harjavalta smelter in western Finland.

Hard bargaining looms at Opec

Deborah Hargreaves on this week's crucial ministerial meeting

MINISTERS FROM the Organisation of Petroleum Exporting Countries will face their toughest session since the Gulf war tomorrow as they meet against a background of weak oil prices and stagnant world demand.

The hard-pressed producers' club knows it must send a clear signal to world markets of its willingness to make meaningful production cuts if it is to avert a price collapse in the next couple of months.

Producers realise they must cut production by at least 1.5m barrels a day to have any effect on prices. But for the larger producers, such as Saudi Arabia, a return to tight individual production quotas, on which Opec policy was based in the past, is anathema.

Smaller producers such as Algeria want to see the higher prices that a large cut in output would bring. Mr Nordine Ait Laoussine, Algeria's oil minister, said yesterday Opec must cut at least 1.7m b/d to 22.5m b/d and sustain this for a year.

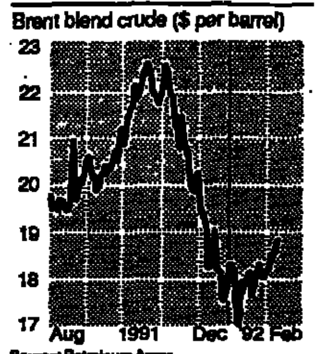
There will be some hard bargaining over the size of the overall output cut and the production level from which individual producers' will start to turn down the taps.

Ten producers have already reduced their output by 420,000 b/d altogether, in order to give some support to prices. The voluntary cuts announced several weeks ago had little immediate effect on oil prices and have yet to feed through fully to the market, where prices have languished since November.

But at least the market stopped falling. In fact, prices have edged up over the past week – as they usually do before an Opec meeting – and North Sea Brent crude for delivery in April rose by 40 cents yesterday to $18.80 a barrel.

Oil price

Brent blend crude ($ per barrel)



Source: Petroleum Argus

Traders are taking a sanguine view that Opec producers will agree at this week's meeting to stop pumping so much oil. If they fail to come to some arrangement, there is little doubt that prices will collapse to below $15 a barrel for Brent.

No producer wants a price collapse as all of them are running budget deficits and all have based their financial plans for this year on a price for oil higher than the current $17 a barrel for the Opec basket of crudes.

The state of emergency in Algeria and the attempted coup in Venezuela last month highlight the way depressed oil revenues can exacerbate political instability for some members.

At the same time, Opec can no longer look to outside factors to buoy prices. World demand at just over 64m b/d has shown little more than a 1 per cent rise over the same period last year and most western countries remain in recession. In addition, exports from the former Soviet Union have stabilised after slipping slightly last year.

In December, Opec pumped oil at its fastest rate for 11 years when production reached 24.4m b/d. This declined in January to 24.2m b/d. But estimates for the call on Opec oil for the second quarter are as low as 22.7m b/d.

Discussion at the meeting will centre around a cut in production of 5 to 7 per cent or a similar formula that will avoid a direct reference to quotas. Saudi Arabia will insist that production cuts be shared evenly and not fall squarely on its shoulders even though it has raised output by far more than the others to compensate for the absence of Kuwaiti and Iraqi oil from the market.

Saudi Arabia has increased its market share from a quarter of Opec output to more than a third since the Gulf crisis.

"The more they define what the production cut will be and how it will be spread, the more credible the agreement will be to the market," said Mr Mehdi Varzi, oil analyst at Kleinwort Benson.

But market-watchers are sceptical that a cut of 1.5m b/d will be enough to do more than put a floor under current prices. A cut of this size could push Opec prices to $18 to $19 a barrel, but not to the $21 a barrel target price.

"In order to raise prices, Opec needs to cut by 1.7m b/d to 2m b/d and not just say it, but actually cut it back," said Mr Joseph Stanislaw at Cambridge Energy Research Associates in Paris. "That is a pretty big task and I see little chance of it happening."

Indeed, Saudi Arabia's price objective is thought to be below $21 a barrel. The kingdom will try to steer a middle course between pacifying its hard-line colleagues such as Algeria by agreeing to pump less oil while at the same time, maintaining its policy of moderate pricing.

In order to keep smaller producers happy, Opec ministers may agree that if, say, a cut of 7 per cent in output takes an individual country below the quota that was set in July 1990, it can continue to produce at quota.

That way the agreement can skirt the issue of direct production quotas.

Kuwait will, in any case, escape the overall requirements to cut output while it is still rebuilding its oil industry. The emirate plans to pump 1.5m b/d by the end of this year, which will take it closer to its production rate before the Gulf war.

What the meeting is unlikely to do is to make any contingency plans for the return of Iraqi oil to the market. This is unlikely before the end of the year given the break-down of talks between Baghdad and the United Nations, which bought Opec a breathing space. When Iraq returns fully to the export market, other producers will be forced to cut much more deeply.

Ferrochrome producers try to repair damage

By Philip Gawith in Johannesburg

SOUTH AFRICAN ferrochrome producers, who between them account for about 45 per cent of world production, have announced plans to slash output to little more than 10 per cent of capacity in response to continuing weakness in demand from the stainless steel industry, which consumes 80 per cent of ferrochrome production.

Although the industry's predicament is in large measure a function of sluggish growth in the world economy, there is also an element of self-inflicted damage. The 6 per cent rise in the ferrochrome price to 52 cents a lb that South African producers insisted upon last December has met with fierce resistance from customers who have turned to alternative sources of supply for their metal.

Samancor of South Africa, the world's largest producer, with capacity of about 1m tonnes per annum, announced on Friday that it would be ceasing ferrochrome production as of February 20 for at least three months.

Consolidated Metallurgical Industries, the second largest producer, said last week that it was operating at only 60 per cent of its 330,000 tonnes-a-year capacity while Chromecorp Technology, South Africa's third biggest producer, announced last month it was shutting down its 180,000 tonne a year furnaces for two to three months.

Mr Allan Kuhnert, marketing director of CMI, said last week that the combination of a price rise with weakening demand had had "a fairly devastating effect on our ability to sell".

This view, however, is not shared by Mr Hans Smith, managing director of Samancor. "There are just not volumes to be had out there," he comments, denying that the price rise caused the weakening in demand.

He notes that ferrochrome could be purchased a month ago for $670 a tonne, or 37 cents a lb, in the scrap market and says that stainless steel companies were obviously going to go this route rather than pay 52 cents for South African metal. With the price in the scrap market now having risen to more than $900 a tonne, however, he believes the supply of scrap has largely gone.

Samancor is now operating at about 75 per cent of capacity. A three-month closure is thus likely to result in about 200,000 tonnes of production being lost.

Despite the closures, Mr Smith says, Samancor will have no problem in meeting all its contractual commitments. Indeed, he forecasts that the company will still have two and a half months stocks left at the end of the financial year in June.

Mr Smith says Samancor's stock-rich position is the result of last September's merger with Middelburg Steel and Alloys, then the world's second largest producer, which brought together considerable stockpiles. He notes that the group also took advantage of cheap power rates in December to run its furnaces at full capacity.

Samancor's decision to cease production for three months was cash-flow driven, Mr Smith says. He admits that he is "not too happy" with net cash levels down to R100m (£19.5m) from R392m a year previously and believes ceasing production will help generate cash to restore funds. He concedes that the company is surrendering profits in favour of cash-flow.

Although the outlook for producers remains poor until there is an upturn in world economic growth, CMI maintains that its regular customers are already returning to them and "by the second quarter they will be back into the South African fold".

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum closed easier on the London bullion market yesterday. South Africa's Impala said it had to acquire 70,000 ounces of platinum to meet supply commitments in the second half of 1991, but the company refused to be drawn on market talk of more recent offtake. Impala, the world's second biggest producer, experienced a shortfall of 150,000 ounces in the six months to December 31; labour difficulties caused an irrecoverable loss of 100,000 ounces of platinum. The figures were close to analysts estimates. Reaction on Nymex was expected to be muted in late trading by Tokyo's holiday closure today. Tin prices closed on the LME at the highest level since last September as demand for high quality metal increased and Brazilian supplies slowed. High-purity Brazilian brands now command premiums over LME of some $100 a tonne against $60 last week. Delays to shipments of Brazilian metal, as well as vessels carrying Malaysian tin have contributed to the tightness. Trade buying and short covering underpinned the market. The constructive close suggests a move towards $5,800 a tonne, technical traders said. In Chicago soyabeans were higher at midday on optimism over sales to the former Soviet Union.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.15-6.20	+.425
Brent Blend (dated)	$18.90-8.95	+.325
Brent Blend (Mar)	$18.80-8.90	+0.30
W.T.I. (1 pm est)	$19.80-9.85	+.275
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	
Gas Oil	$176-177	-1
Heavy Fuel Oil	$65-66	
Naphtha	$189-191	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$355.2	-1.2
Silver (per troy oz)♣	419.0c	-5.0
Platinum (per troy oz)	$366.0	-3.0
Palladium (per troy oz)	$85.75	-0.4
Copper (US Producer)	102.70c	+0.27
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.10r	
Tin (New York)	261.0 c	-4
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.10p	-0.81
Sheep (live weight)†♣	101.75p	-2.16
Pigs (live weight)†	98.33p	+0.25
London daily sugar (raw)	$198.8y	-0.6
London daily sugar (white)	265.40y	-1.3
Tate and Lyle export price	214.5	-1.5
Barley (English feed)	£123.0z	
Maize (US No. 3 yellow)	£146.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	49.50p	-0.5
Rubber (Apr)♥	49.75p	-0.25
Rubber (KL RSS No 1 Feb)	215.0m	
Coconut oil (Philippines)§	$740.0y	-5
Palm Oil (Malaysian)§	$395.0q	+12.5
Copra (Philippines)§	$400y	+2.5
Soyabeans (US)	£143.5z	-3
Cotton "A" index	57.20c	+0.1
Wooltops (64s Super)	422p	+1

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	179.40	180.00	180.60	179.00
May	180.00	180.40	181.00	180.60
Aug	184.40	184.40	185.00	184.40
Sep	186.60	185.40	186.00	185.00
White	Close	Previous	High/Low	
Mar	261.0	262.0	262.0	260.0
May	267.0	267.0	267.3	266.0
Aug	270.9	271.0	270.9	269.5
Oct	260.0	261.0	259.9	259.0

Turnover: Raw 170 (518) lots of 50 tonnes. White 1324 (1879)
Paris- White (FFr per tonne): Mar 1400.18, May 1450.08

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Mar	18.79	18.86	19.04	18.78
Apr	18.68	18.69	18.86	18.67
May	18.63	18.60	18.82	18.62
Jun	18.56	18.48	18.68	18.54
Jul	18.50	18.40	18.70	18.50
Aug	18.50	18.40	18.60	18.54
Sep	18.75		18.75	
IPE Index	18.58	18.60		

Turnover 24408 (21006)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Feb	176.25	175.75	178.25	175.75
Mar	173.75	172.75	175.00	173.25
Apr	171.00	169.50	172.00	170.75
May	168.50	166.50	169.50	168.50
Jun	169.00	168.25	170.50	169.00
Jul	171.00	169.75	172.00	171.00
Aug	173.00	171.75	173.75	173.00
Sep	174.75	173.25	175.00	174.75
Oct	177.00	175.25	177.00	176.75

Turnover 14675 (14707) lots of 100 tonnes

TEA

A good demand prevailed reports the Tea Brokers Association. Landed coloury assams met improved competition and often gained 5 to 10p but plainer sorts continued weak. Brighter East Africans ruled fully firm to dearer with dusts strong while mediums saw much better enquiry and put on 3 to 5p except the plainest. Good liquoring ceylons often advanced with the remainder little changed. Offshore demand was selective Brighter East Africans types sold at firm rates but Central Africans were generally easier by 2 to 3p. Quotations: quality 140p, nom good medium 108p, medium 89p, low medium 77p.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	670	678	675	669
May	701	708	705	699
Jul	728	734	731	727
Sep	752	758	757	751
Dec	786	790	790	785
Mar	817	820	818	813
May	836	839	838	834
Jul	855	858	855	850
Sep	872	875	869	

Turnover: 8000 (8221) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.7 861.46 (867.11) 10 day average for Feb.10 867.85 (863.77)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Mar	868	860	869	857
May	898	886	899	885
Jul	922	911	921	910
Sep	942	932	940	930
Nov	964	952	960	
Jan	978		976	
Mar	1010		996	

Turnover:2160 (4204) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 7 : Comp. daily 55.91 (56.19) 15 day average 58.63 (59.03)
Sterling close: ,March £475

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	120.4	121.0	121.0	120.1
May	138.0	140.0	139.5	138.0
Nov	89.0		88.0	

Turnover 78 (66) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	125.00		125.00
Apr	126.00	125.50	126.00

Turnover 110 (200) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Feb	1375	1370	1375	1365
Mar	1460	1463	1470	1450
Apr	1482	1485	1490	1475
Jul	1260	1263	1265	1260
BFI	1356	1365	1356	

Turnover 274 (170)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	126.10	126.50	126.45	126.25
May	129.70	129.95	129.85	129.65
Jun	131.50	131.75	131.50	
Nov	114.05	114.25	114.00	
Barley	Close	Previous	High/Low	
Mar	117.40	117.25	117.50	117.25
May	120.55		120.50	

Turnover: Wheat 146 (135), Barley 17 (6).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Apr	117.8	117.5	117.2	117.2
May	116.5	116.0	116.3	116.0
Jun	115.0	114.5	114.5	
Jul	109.5		109.0	
Aug	107.0		106.5	
Sep	107.0		107.0	
Oct	110.0		109.0	

Turnover:38 (138) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 21,319 lots	
Cash	1250.5-1.5	1249-50	1248	1247.5-8.0		
3 months	1275.5-6.5	1273-4	1284/1271	1272.5-73	1271-2	143,462 lots
Copper, Grade A (£ per tonne)					Total daily turnover 13,736 lots	
Cash	1189-91	1189-91	1190/1181	1181.5-82		
3 months	1213.5-14.5	1212-3	1214.5/1205	1205.5-6.0	1211-12	97,625 lots
Lead (£ per tonne)					Total daily turnover 952 lots	
Cash	277.5-8.5	278.5-9.5	274/273.5	273.25-3.75		
3 months	289-90	290-90.5	288/285.75	285.75-86	288-89	16,294 lots
Nickel ($ per tonne)					Total daily turnover 3,080 lots	
Cash	7855-65	7890-900	7875/7870	7875-80		
3 months	7915-20	7945-50	7930/7880	7919-20	7910-20	22,294 lots
Tin ($ per tonne)					Total daily turnover 2,043 lots	
Cash	5840-50	5565-75		5615-20		
3 months	5673-75	5600-10	5690/5580	5640-45	5690-700	5,205 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,638 lots	
Cash	1135-36	1140-42	1134	1134-35		
3 months	1139-40	1144-45	1147/1137	1136-37	1137-39	65,607 lots

LME Closing £/$ rate:
SPOT: 1.8260 3 months: 1.7980 6 months: 1.7693 9 months: 1.7466

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.00-355.40	
Opening	354.85-355.25	
Morning fix	354.70	193.455
Afternoon fix	354.65	193.925
Day's high	355.20-355.60	
Day's low	354.40-354.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.35	6 months	3.20
2 months	3.30	12 months	3.20
3 months	3.25		

Silver fix	p/fine oz	US cts equiv
Spot	228.30	418.85
3 months	234.20	422.75
6 months	239.90	426.80
12 months	251.30	436.30

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	364.75-355.75	194.50-195.00
Maple leaf	365.60-366.60	200.25-200.75
New Sovereign	86.75-87.75	47.50-48.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1150	102	136	1	13
1250	27	68	26	44
1350	3	28	101	102
Copper (Grade A)	Calls		Puts	
2100	81	106	3	26
2200	16	50	38	69
2300	1	19	122	136
Coffee	Mar		Mar	
400	74			
450	25		1	
500	1		27	
Cocoa	Mar	May	Mar	May
675	8	42	13	16
700	2	28	32	27
725		19	55	43
Brent Crude	Mar	Apr	Mar	Apr
1800	94	107		29
1850	41	71		42
1900	9	50		63

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	356.9	356.0	358.1	354.7
Mar	356.5	355.6	0	0
Apr	357.4	356.5	358.2	356.0
Jun	359.3	358.4	360.2	357.8
Aug	361.3	360.4	361.5	359.8
Oct	363.2	362.3	363.5	363.5
Dec	365.2	364.3	365.5	364.0
Feb	367.4	366.5	368.0	367.4
Apr	357.4	356.5	358.2	356.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Feb	366.0	368.0	0	0
Apr	366.3	368.0	368.0	365.0
Jul	366.0	365.7	367.5	365.0
Oct	368.1	367.7	369.0	367.0
Jan	367.6	367.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Feb	419.0	418.2	419.5	419.5
Mar	419.8	419.2	421.0	417.5
Apr	421.2	420.6	0	0
May	422.8	422.2	423.5	420.5
Jul	425.6	425.2	426.5	424.0
Sep	428.8	428.5	429.0	429.0
Dec	434.0	434.0	433.5	433.5
Jan	435.6	435.6	0	0
Mar	439.8	439.7	0	0
May	443.5	444.0	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	54.45	54.54	55.20	54.25
May	56.07	56.43	56.83	56.05
Jul	57.32	57.58	57.96	57.25
Oct	59.77	60.23	60.20	59.80
Dec	60.58	60.93	61.00	60.55
Mar	62.30	62.27	0	0
May	62.70	62.95	0	0
Jul	63.00	63.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	140.75	140.00	141.10	138.75
May	139.90	138.70	140.00	138.00
Jul	139.25	137.10	139.25	137.00
Sep	135.25	134.00	136.25	134.75
Nov	129.60	128.50	0	0
Jan	129.50	128.50	129.10	129.10
Mar	129.50	128.50	0	0
May	129.50	128.50	0	0
Jul	129.50	128.50	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	98.25	98.55	98.35	98.10
Mar	98.25	98.45	98.35	97.80
Apr	98.00	98.20	0	0
May	97.80	98.00	97.90	97.40
Jun	97.75	98.00	0	0
Jul	97.70	97.95	97.80	97.50
Aug	97.70	97.95	0	0
Sep	97.65	97.95	97.75	97.60
Oct	97.55	97.85	0	0
Nov	97.55	97.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Mar	19.78	19.87	20.08	19.76
Apr	19.86	19.89	20.07	19.84
May	19.88	19.87	20.06	19.86
Jun	19.85	19.84	20.00	19.85
Jul	19.79	19.78	19.98	19.78
Aug	19.73	19.72	19.86	19.70
Sep	19.67	19.66	19.78	19.65
Oct	19.62	19.62	19.75	19.62
Nov	19.58	19.58	19.73	19.57
Dec	19.56	19.56	19.72	19.57

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Mar	5650	5642	5700	5590
Apr	5595	5557	5605	5530
May	5499	5470	5525	5465
Jun	5415	5390	5445	5395
Jul	5401	5390	5440	5390
Aug	5466	5450	5495	5460
Sep	5586	5570	5615	5550
Oct	5666	5670	5715	5650
Nov	5761	5765	5815	5750
Dec	5871	5855	5910	5855

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1120	1117	1125	1112
May	1158	1151	1160	1149
Jul	1195	1190	1195	1186
Sep	1229	1225	1230	1225
Dec	1272	1262	1270	1269
Mar	1307	1300	1300	1300
May	1332	1324	0	0
Jul	1358	1348	0	0
Sep	1383	1378	0	0
Dec	1418	1413	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	69.80	69.65	70.15	69.35
May	72.45	72.45	73.10	72.30
Jul	75.15	75.10	75.75	75.10
Sep	78.15	78.00	78.55	78.00
Dec	81.70	81.75	82.00	81.70
Mar	85.50	85.75	85.90	85.50
May	89.15	88.15	88.00	88.00
Jul	92.00	92.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.11	8.19	8.22	8.09
May	8.21	8.20	8.25	8.18
Jul	8.31	8.31	8.36	8.30
Oct	8.40	8.41	8.44	8.36
Mar	8.58	8.59	8.60	8.58
May	8.64	8.64	0	0
Jul	8.70	8.71	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb.10	Feb.7	mnth ago	yr ago
1585.0	1572.7	1600.8	1672.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Feb.7	Feb.6	mnth ago	yr ago
Spot	118.61	117.38	112.55	121.87
Futures	122.47	122.56	120.84	127.57

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	576/6	570/4	580/0	568/0
May	583/6	575/4	585/0	573/2
Jul	592/4	584/0	594/0	581/2
Aug	597/0	586/4	597/4	586/0
Sep	600/0	589/0	600/0	589/4
Nov	608/4	597/6	609/4	595/0
Jan	616/6	606/4	617/0	614/0
Mar	626/0	616/0	626/0	617/0
May	633/4	623/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	18.97	18.98	19.04	18.75
May	19.21	19.24	19.33	19.05
Jul	19.53	19.55	19.62	19.35
Aug	19.70	19.71	19.78	19.53
Sep	19.87	19.87	19.92	19.67
Oct	19.97	19.95	20.05	19.81
Dec	20.37	20.28	20.37	20.06
Jan	20.46	20.35	20.45	20.45
Mar	20.70	20.62	20.70	20.50
May	20.80	0	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	177.3	175.4	177.6	174.4
May	178.7	176.4	178.8	175.6
Jul	180.6	178.2	180.8	177.4
Aug	181.6	179.2	181.7	179.1
Sep	182.5	179.9	183.0	179.8
Oct	196.5	193.7	196.5	196.5
Dec	196.2	195.5	198.5	194.8
Mar	199.5	198.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	270/4	264/6	271/2	264/0
May	278/2	272/0	279/0	271/2
Jul	283/6	276/6	284/4	276/4
Sep	277/4	274/0	278/0	273/4
Dec	274/4	271/4	275/0	270/6
Mar	279/6	277/2	280/0	276/2
May	283/4	281/0	283/4	280/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	469/4	452/4	463/2	449/0
May	449/6	441/0	452/0	440/0
Jul	424/4	413/0	428/0	413/4
Sep	426/0	416/4	429/6	416/0
Dec	438/0	424/4	438/2	424/0
Mar	436/0	424/4	439/0	423/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	78.825	78.200	78.925	78.350
Apr	78.625	77.850	78.725	77.850
Jun	73.600	72.400	73.775	73.000
Aug	69.725	68.350	69.825	69.100
Oct	70.050	68.850	70.050	69.500
Dec	70.600	69.100	70.600	70.000
Feb	70.050	68.825	70.325	69.500

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	42.375	42.025	42.650	42.000
Apr	42.775	42.500	42.900	42.400
Jun	46.825	46.475	46.950	46.550
Jul	47.400	46.875	47.500	47.025
Aug	46.475	45.150	45.650	45.150
Oct	42.250	42.000	42.250	41.950
Dec	44.750	44.625	45.150	44.550
Feb	45.475	45.600	45.500	45.100

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	38.025	37.875	38.000	37.950
Mar	38.375	38.275	38.200	38.050
May	39.600	39.400	40.150	39.350
Jul	40.625	40.375	41.200	40.400
Aug	39.625	39.850	40.375	39.250

LONDON STOCK EXCHANGE

Successful rebound in modest trading

By Terry Byland, UK Stock Market Editor

THE LONDON stock market rebounded successfully yesterday after being initially driven down to its nearest support levels by uncertain performances from Wall Street and Tokyo and new warnings of the depth of the economic recession in the UK. Buyers came in fairly readily at mid-morning when the FT-SE Index fell to 2,506, and by the close the market was 21.2 ahead on the Footsie Index.

Some optimism was triggered by the London money markets, where the Bank of *England's operations* were regarded as encouraging hopes for an early cut in UK base rates. However, such optimism was damped down as sterling remained subdued.

Overall, however, trading volume in equities was not particularly impressive and strategists remained cautious. UK stocks were helped by a firmer opening to the new session on Wall Street which was 9 Dow points ahead when London closed. The final reading put the FT-SE Index at 2,538.4, a net gain of 21.2 on the first day of the new equity trading account.

The session opened in depressed mood in the wake of the 30 point setback in the Dow on Friday's worrying US employment statistics, which had been *followed by a fall in* the Nikkei Index to below the important 22,000 mark.

Bad news from closer to home included reports that a Confederation of British Industry survey had suggested that small businesses in the UK were seeing no sign of an economic recovery. Selling from Europe focused on Eurotunnel after the disclosure that it will not meet its June 1993 completion deadline. Among brewing stocks, Bass suffered further selling in response to its law suit in the US.

However, there was not a great deal of selling pressure and trading volume remained low until the market bounced as it approached the Footsie 2,500 area. Traders regard FT-SE 2,480-2,500 as a "safe level at which to buy," as one *leading dealer phrased it.*

The stock index futures contract anticipated the arrival of the buyers who did indeed come into the market to pick up selected blue chip issues. The underlying stock market quickly *followed suit, with* RTZ and Glaxo among those to attract buyers from across the Atlantic.

The stock market swung into positive territory and gains were sharply extended when Wall Street opened higher. The advance carried through to the close when share prices were only a shade below the day's best levels.

Seaq trading volume fell to 426.4m shares from the 596.2m of the previous session. Retail volume on Friday was worth £1.02bn, according to Stock Exchange statistics, indicating a significant sell-off at the end of the trading account.

In spite of yesterday's rally, which more than replaced Friday's losses, equity strategists sounded uncertain of the market's prospects. Clouds still *hang over the progress of the* economic recession, both in the US and the UK. Oil shares, heavily-weighted components of the Footsie, did well as worries over dividend policies at British Petroleum lifted a little. Firmer oil prices, which would benefit sterling, are believed possible following this week's meeting of Opec ministers but the longer term prospect for world crude prices remains suspect in view of the prolonged recession in the leading industrialised countries.

Account Dealing Dates		
*First Dealings:		
Jan 27	Feb 10	Feb 24
Option Declarations:		
Feb 6	Feb 20	Mar 5
Last Dealings:		
Feb 7	Feb 21	Mar 6
Account Day:		
Feb 17	Mar 2	Mar 16

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Feb 10	Feb 7	Feb 6	Feb 5	Feb 4	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.25	88.17	88.10	88.23	88.05	85.05	88.25 (10/2/92)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.96	100.99	100.99	100.99	100.80	93.61	100.99 (5/2/92)	90.58 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1958.9	1945.1	1961.2	1970.9	1978.7	1793.7	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	139.7	141.7	145.2	148.1	145.1	137.1	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2538.4	2517.2	2534.3	2547.1	2558.8	2279.0	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1173.05	1168.38	1172.04	1175.21	1174.55	1040.71	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.66	4.69	4.65	4.63	4.61	5.35				
●Earning Yld %(full)	6.93	6.97	6.92	6.95	6.92	11.15				
●P/E Ratio(Net)(☆)	18.11	17.99	18.12	18.10	18.18	10.85				
SEAQ Bargns 4.45pm	29,384	35,927	31,091	30,010	29,609	33,826				
Equity Turnover(£m)†	-	1202.4	830.00	954.50	811.20	844.62				
Equity Bargains†	-	43,217	24,995	30,432	28,355	34,095				
Shares Traded (ml)†	-	614.9	385.5	427.0	382.3	406.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 § FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.08

Ordinary Share Index, Hourly changes — Day's High 1960.1 — Day's Low 1935.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1936.0	1935.6	1944.2	1945.5	1951.3	1952.6	1955.5	1955.4	1958.5

FT-SE 100, Hourly changes — Day's High 2540.3 — Day's Low 2506.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2507.4	2508.1	2522.9	2523.3	2532.5	2533.7	2536.2	2534.6	2537.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1173.05 — Day's Low 1163.13

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.13	1166.15	1167.30	1169.88	1169.97	1171.40	1171.08

GILT EDGED ACTIVITY

Indices*	Feb 7	Feb 6
Gilt Edged Bargains	90.0	80.9
5–Day average	83.8	81.8

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

Brighter views on BP

THE RECENT weakness in BP shares, triggered mainly by worries about low crude oil prices, a board room split, uncovered dividend and fears that any prolonged period of weakness by oil prices could trigger a shrinking of the company, was reversed yesterday after reassuring comments in the weekend financial press.

Stories, suggesting that BP would at least maintain its quarterly dividend and probably increase the payment to match inflation when the results are published on Thursday, helped BP recover 10 to 285p on turnover of 6.8m

BP was also helped by firmer crude oil prices ahead of tomorrow's Opec meeting in Geneva. Brokers were divided as to the outcome of the Opec meeting and the outlook for the sector. Mr Chris Perry at *Gilbert Eliott said* he viewed the downside in oils as "limited" with the sector relative close to a five-year low. He is looking for the sector to outperform the market "by at least 10 per cent" this year.

Smith New Court's Mr Steve Turner commented: "A successful Opec meeting and action by Opec to cut output would send oil prices back above $20 in the second quarter; this can only be regarded as a positive for the oil sector."

County NatWest, on *the* other hand, remained pessimistic on oil and oil shares. Mr Fergus MacLeod said: "We stand by a 1992 forecast of $18 a barrel, with further weakness possible in the short term; this will keep the oil sector dull."

Mountleigh deal

A successful share placing in property group Mountleigh saw the stock rise 2¼ to 9¼p, as the market speculated on the *likely* buyers.

One dealer said there was intense US interest spilling over from late on Friday, when a block of 27m shares came on to the London market. Some believed the stake was placed following the bankruptcy last week of Danish investment group Accumulator, which helped to underwrite Mountleigh's unsuccessful £96m rights issue in July. Yesterday's deal appeared to be an agency cross at 7p.

Mountleigh already has large US shareholders – financiers Peltz & May and the Getty Trust together hold 29 per cent – and has attracted stake-building hints on previous occasions.

Yesterday's move is the lat*est in a burst of activity* in the group's shares. Last week, chairman Mr Ian MacGregor took his stake to 3.5m shares after purchasing 2m for around 7p, while fellow director Mr David Watkins bought 100,000 at the same price.

Eurotunnel down

It was a volatile session for Eurotunnel, which fell 27p initially after announcing that it would not meet its June 1993 target for the opening of the Channel tunnel. Analysts had, however, suspected that Eurotunnel would have to make such an announcement, and the stock quickly rallied to close 11 down on balance at 454p on moderate turnover of 778,000 shares.

Mr Richard Hannah, at UBS Phillips & Drew, calculated that Eurotunnel would lose about £60m to £70m for each summer month it delays opening the tunnel. He added: "I think there is a distinct possi*bility for further equity financ*ing, given the over-runs to date."

Reuters was weak in early trading as investors took profits before the results due tomorrow. However, the stock bounced in the afternoon to close a net 5 up at 1095p.

Glaxo rose 12 to 828p as one US house was said to be a strong buyer, arguing that it was heavily undervalued.

Nervousness ahead of its first-quarter profits failed to hold Hanson down and the shares gained 4 at 203p with a hefty 7.1m traded. Analysts believe the profits, to be reported on Thursday, will be below those of the same period last year.

Weekend press reports that Fisons' best-selling asthma drug Intal was under threat *prompted the shares to fall 11* in early dealing. However, analysts felt that the threat was overstated and the shares recovered to close unchanged on the day at 377p.

A Hoare Govett review of the implications for the utilities of various *political scenarios* resulted in the broker recommending a switch out of electricity distribution companies into the water sector.

Overall, Hoare said water shares were undervalued and electricity stocks fully valued. It particularly recommended Severn Trent, which closed 8 higher at 339p, and Welsh, 11 ahead at 383p.

Allied-Lyons was firm in a generally depressed brewing sector. The shares put on 3 to 622p, shrugging off confusion about a proposed pub leasing deal with Brent Walker, and gaining support from the sale of the food division's home baking mixes and chocolate business.

Bass lost another 9 to 511p, *weighed down by the implica*tions of US litigation over the purchase of the Holiday Inn hotel chain by the UK brewer.

Cider producer H.P. Bulmer recovered an early loss to finish unchanged at 254p, in spite of concern that a successful bid for Perrier by Nestlé might mean Bulmer losing the Perrier distribution rights in the UK.

Among food manufacturers, Unigate rose 5 to 280p following the sale of its loss-making J.P. Wood *chicken business to* Hillsdown Holdings for £36.7m. Hillsdown, which through its Buxted Poultry subsidiary will lift its share of the UK poultry market from 14 to 20 per cent, was unaltered at 162p.

William Low weakened 13 to 261p, reacting to Friday's late news that *Mr Colin Mitchell*, managing director of supermarkets, is leaving at the end of the month.

Stores group Burton lost 2 to 37¼p on sell recommendations by Nomura and Credit Lyonnais Laing. Nomura warned that, on all but the most optimistic consumer spending forecasts, the shares are likely to drift lower and the need to conserve cash may result in another cut in the dividend.

Holiday group Airtours *surged on old talk of strong* holiday bookings. There was also the likelihood of some lift from US investors, who were reported to be impressed by a Hoare Govett presentation in New York on the group. The shares climbed 14 to 250p.

Royal Bank of Scotland was the most heavily traded bank stock as its shares gyrated between 170p and 164p before settling unchanged at 167p. The bank confirmed that it was considering the sale of part or all *of Charterhouse, its* merchant bank arm.

Other banks recorded minor improvements ahead of the preliminary results season, which starts on February 21 with figures from Lloyds, 4 firmer at 397p.

*Discount houses strength*ened on suggestions of an early cut in UK interest rates. Union Discount, badly mauled in recent weeks, improved 8 to 142p, while Cater Allen rose 10 to 324p.

Royal Insurance *declined* 11 to 232p and Sun Alliance 6 more to 280p as analysts caught up with Goldman Sachs-inspired profits downgrades carried out last week and continued to fret about a dividend cut at the former. *Sturge Holdings relinquished 6* to 209p before today's annual meeting.

Industrial gases and healthcare company BOC finished 2 easier at 645p ahead of first-quarter profits – expected to be between £73m and £80m – due on *Thursday*. Kleinwort Benson was said to have reduced its forecast by around £6m to £79m yesterday.

British Vita was held down to 261p after Hoare Govett changed its recommendation from "buy" to "hold", arguing that the shares were overvalued.

Buying in front of today's third-quarter figures lifted British Airways 4 to 225p as 5.5m shares changed hands. The range of analysts' forecasts is between £40m and £50m.

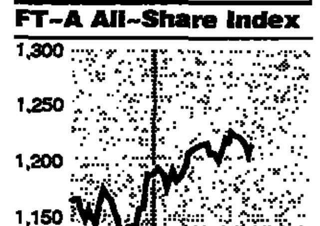
USM stock Ross Group was quoted at 46p, against 9½p at Friday's close, following a one-for-five share consolidation yesterday.

Stock overhanging the market *in USM*-quoted *Nu-Swift* was said to be behind a drop of 26 to 418p.

MARKET REPORTERS:
Christopher Price,
Peter John, Colin Millham,
Joel Kibazo, Steve Thompson.

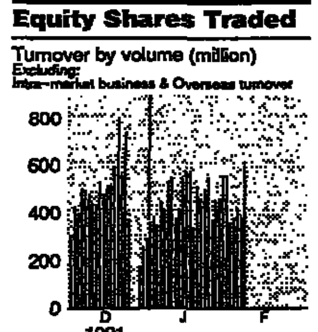
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (93).
BRITISH FUNDS (17) Tr. 3pc 1992, Fd. 6pc 1993, Tr. 8½pc 1994, Tr. 9pc 1994, Tr. 9pc '92-96, Cv. 10pc 1996, Ex. 10½pc 1997, Tr. 8¾pc 1997, Ex. 9¾pc 1998, Tr. 8¾pc '95-98, Ex. 12pc 1998, Tr. 10½pc 1999, Tr. 2pc IL 1994, Tr. 2pc IL 1996, Tr. 2½pc IL 2001, Tr. 2½pc IL 2009, Tr. 2½pc IL 2011, OTHER FIXED INTEREST (5) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Hydro Quebec 15pc 2011, Inter-Amer. 12½pc 2003, Do. 9¾pc 2015, BUILDING MATERIALS (2) Kalon, Spring Ram, BUSINESS SERVICES (1) RCO, CHEMICALS (3) Bayer, MTM, Yorkshire, CONGLOMERATES (2) Sime Darby, Wassall, ELECTRICALS (1) China Light, ELECTRONICS (3) Druck, Elect. Data Procg., Sage, ENGINEERING AEROSPACE (1) FR, FOOD MANUFACTURING (1) Everest, FOOD RETAILING (1) Park, HEALTH & HOUSEHOLD (3) Astra B, UniChem, HOTELS & LEISURE (3) Airtours, City Centres Restaurants, Tanjong, INVESTMENT TRUSTS (17) City of Oxford Zero Prf., Contra-Cyclical Zero Prf., Drayton Blue Chip Zero Prf, Drayton Recovery Prfd. Growth, Exmoor Dual Zero Prf., Fidelity Euro. Values Wrrnts., Flmg. Emrg. Mkts., Flmg. Intl. High Zero Prf., Gartmore Value Zero Prf., Gen. Cons. Stppd. Prf., River & Merc. Stppd. Prf., River Plate Zero Prf., Schroder Korea Fd. Wrrnts., Scot. Natl. Zero Prf., Do. Stppd. Prf., Sphere Zero Prf., TR Tech. Zero Prf., MEDIA (5) Central ITV, Daily Mail A, Headline Book Publs., News Intl., Tyne Tees. METAL & METAL FORMING (1) Johnson Matthey, MISCELLANEOUS (4) Alumasc, BAT Inds. 12¼pc Ln. '03-08, Banks (SC), FII, MOTORS (1) Malaya, OTHER FINANCIAL (4) Aitken Hume, Baring Puma, Edinburgh Fd. Mangrs., Secure Trust, PACKAGING, PAPER & PRINTING (2) Boxmore, British Polythene, PROPERTY (3) CMW, Land Sec. 10pc Deb. 2027, Do. Deb. 2030, STORES (2) Lloyds Chemists, Marks & Spencer, TEXTILES (1) Brit. Mohair. TRANSPORT (1) Cathay Pacific.
NEW LOWS (41).
BUILDING MATERIALS (1) Kingspan, BUSINESS SERVICES (3) AFP, ATP Comms., Rentaminster, CONTRACTING & CONSTRUCTION (1) Jarvis, ELECTRONICS (2) Dowty, ML, ENGINEERING AEROSPACE (4) Brooke Tool, Dyson (J & J), Sterling Inds., Whewey, HOTELS & LEISURE (1) Stakis, INSURANCE BROKERS (1) Sturge, *INVESTMENT TRUSTS (7) Baillie Gifford* Tech., Contra-Cyclical Cap., Govett Amer. Endeavour, M & G Inc. Geared Units, North Amer. Gas, Do. Wrrnts., River Plate Cap., MEDIA (4) Aegis 9¼pc Prf., Clarke Hooper, Osprey Comms., Shandwick, MERCHANT BANKS (1) Brown Shipley, MISCELLANEOUS (3) Assoc. Brit. Consultants, Bilston Battersea, Heath (S), MOTORS (1) TLS Range, OIL & GAS (3) Bridge Oil, Globe Petrlm., Kelt Energy, OTHER INDUSTRIAL MATERIALS (1) Headway, PROPERTY (3) INOCO, Markheath, Safeland, STORES (2) Colorvision, Mallett, TEXTILES (1) Alexandra Workwear, MINES (2) Butte, Dominion.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures advanced strongly on speculation *over a cut in interest* rates in both the UK and the US, writes Joel Kibazo.

The March contract opened at 2,530 on the expectation that Friday's fall on Wall Street was overdone. With only a brief reversal to 2,528 at around 9am, buying of March continued and moved up a gear as the view of a possible cut in interest rates spread from the money markets and into *FT-SE futures.*

The strong opening on Wall Street only served to increase interest, with buying of the contract by US clients a notable feature. One trader commented: "It was a one-way market, all the way up from the opening." That was not strictly true; profit-taking before the markets closed caused March to relinquish earlier gains. March closed at 2,560, around 11 points above its estimated fair value pre*mium to cash of about 10.*

In the LTOM, turnover was a poor 21,513 lots. Hanson was the busiest stock option with 1,927 lots traded. The May 220 calls were the busiest series. Thames Water traded 1,100 lots, with one house reported to have sold a straddle, trading the May 360 calls and puts at the same exercise price and expiry date.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

APPOINTMENTS

RBS lands a big Fish

The Royal Bank of Scotland is understandably proud of its latest US catch. It has landed Lawrence Fish, one of US banking's better-known trouble-shooters, to head Citizens Financial, its US banking operation.

Larry Fish, a 47-year-old Harvard MBA, joins Citizens Financial as president, but will take over as chief executive when George Graboys retires at the end of the year. Raised *in Chicago, Fish spent 18 years* with the Bank of Boston where he first made his name as an international banker with stints in Tokyo and Hong Kong.

But since 1988 he has been trying his hand at rescuing troubled financial institutions, first with Columbia Savings and Loan on the west coast, and more recently with the Bank of New England.

US bank analysts have a high regard for Fish's talents as a "crisis manager" – there is therefore some surprise that he has been recruited to run Citizens whose financial health is considerably better than most of its competitors.

It is a much smaller institution than either Columbia or the Bank of New England and it is hard to see how it can prove as big a challenge.

There must be a worry that Fish may be tempted to move *yet again* if a more tempting offer is made, or that he will try and expand Citizens Financial too quickly – the commonest reason why so many foreign banks in the US have lost money. The new top management at RBS obviously feels it is a risk worth taking.

■ John Eccleston is appointed president of TRINITY (NA) HOLDINGS with responsibility as ceo for its Canadian operations, in succession to John McKenna. Kevin Aylmer is promoted to take Eccleston's place as vice-president of Trinity Holdings Inc with responsibility for US operations.

■ Lyn Lavers is appointed md, and Brian Cottee *promoted* from md to deputy chairman of International THOMSON Business Publishing.

■ T&N has promoted Rod Ashby-Johnson to be chief executive of Engine Parts Aftermarket; he is replaced as md of AE Auto Parts by John Hepworth. Ian Fisher *is appointed md* of The Tempered Spring Company in succession to Keith Mason who has taken early retirement because of ill-health.

■ Paul Beasley, John Wood and Keith Wylie have been appointed directors of CIN Properties, part of the investment manager for British Coal Pension Funds.

Non-executive directors

The following directorships have been announced:

■ Martin Llowarch at HICKSON INTERNATIONAL and at TRANSPORT DEVELOPMENT GROUP.
■ Ralph Hodge at HALIFAX Building Society.
■ Michael Beckett at BPB INDUSTRIES.
■ Ron Presley at CHESTERFIELD PROPERTIES.
■ Michel Delloye and Michel Tilmant at HENRY ANSBACHER HOLDINGS; Albert Frere and Alred Singer will retire in April.
■ *Donald Macpherson at* LEEDS GROUP.
■ Frances Cairncross at ALLIANCE & LEICESTER Building Society.
■ Michael Miles at THE KOREA-EUROPE FUND.
■ John White, group md of BBA, at ELLIS & EVERARD.
■ Michael Ruddell at COMMUNITY HOSPITALS.
■ Edward Robinson at SIDLAW.
■ *Peter Stormonth Darling* at SCOTTISH EQUITABLE.
■ John Wei and Mahmoud Abdulla at TRIMOCO.
■ Cedric Thomas, formerly chief executive of the Engineering Employers' West Midlands Association, at THOMAS WILLIAM LENCH (HOLDINGS).
■ Peter Buckley at The DAILY TELEGRAPH.
■ John Morrison at CAWSTON; David Lee has retired.
■ Peter Loyd resigned from BLYSTAD, to devote more time to his role as chief executive of Reading & Bates, the Houston, US-based drilling contractor.

Activism versus action

Paddy Linaker, the blunt-spoken managing director of M&G Group, is to take over as chairman of the *Institutional* Fund Managers Association in May. He succeeds Charles Nunnelly of Robert Fleming Asset Management, who served as IFMA's first chairman.

Linaker is a suitable choice for a trade organisation which has on occasion taken a more aggressive stance on shareholder issues than its Bank of England-backed counterpart, the Institutional Shareholders' Committee. Among other things, IFMA has urged shareholders to vote against the award of stock options offered to company directors at a discount, and has spoken out on terms of directors' contracts.

Linaker is said privately to hold the view that shareholder activism is too infrequently translated into action – a view on which he will have ample scope to pronounce in his new role.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		35⅝xd	-⅞	36⅝	20⅞	16,150	1.8
♥Allegheny & W		321p	+1	388p	218p	166.8	5.3
Amdahl		1053pxd	+4	1071p	667p	1,168	0.5
Amer Cyanamid		33⅛	-⅛	42⅛	25⅞	3,089	2.5
Amer Express		11¼xd	-⅛	17⅞	9⅞	5,627	4.8
Amer T & T		20⅛xd	-⅞	24½	15¼	28,287	3.7
Ameritech		33	-½	38⅞	32½	14,448	5.8
BankAmerica		22xd	-⅞	26⅞	12⅞	4,783	3.3
Bankers NY		34⅞xd	—	38⅞	20⅞	2,877	7.8
Bell Atlantic		24⅛xd	-¼	30½	24¼	9,686	5.8
BellSouth		26⅞	-½	31¼	25	12,880	6.0
♥Bethlehem Steel		7⅞xd	-⅞	11¼	6⅞	882.1	—
Bowater		1515p	-15	1838p	1042p	471.6	6.1
CPC		45½xd	—	54⅞	37⅞	3,428	2.7
California Engy		646p	-88	930p	420p	117.8	—
Campbell Soup	h	29⅞	-⅞	25	14⅛	5,168	1.9
Chase Manhattan		12½xd	+⅞	12¾	6⅞	1,689	5.4
Chrysler		8⅞xd	+⅞	9⅞	5⅞	2,582	3.8
Citicorp		8⅞xd	-⅞	10⅞	4⅞	3,070	—
Colgate-Palm		30xd	-⅞	27⅞	21⅞	3,781	2.3
Cont'l Bank		641p	+24	928p	438p	649.9	5.4
Dana		16⅞xd	-⅞	21⅞	13⅞	886.2	5.3
Data General		843p	+3	1262p	203p	177.4	—
Dial		25⅞xd	-⅞	27⅞	12⅞	1,084	2.9
Dun & Brad		30¾	+1½	31⅞	20¾	5,428	4.0
Eaton		37⅞	+¼	40	24¼	1,272	3.3
Echlin		8¼xd	-½	8⅞	6½	488.7	4.8
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

MINES

MINES - Cont.

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
‡‡Ivernia West IE	49	—	61	30	15.6	–
‡‡Kells Mins IE	41	—	46	33	8.99	–
♣Kenmare	6½	+¼	25	3½	8.24	–
‡‡Navan Res IE	20	—	26	15	3.48	–
Northgate Expl C$ s	39	—	89	39	4.92	–
North West Expl A$	6	—	18	5	2.82	–
Oryx Gold $	82½	+½	188	82	–	–
‡‡Ovoca Gold IE	11	—	23	8	0.77	–
Plateau	12	—	44	11	8.46	–
■RTZ	525	+9	605	404	5,255	5.0
For Tiorco Resources see Caledonia Mining						
♣Vizcaya	2	—	10	2	1.07	–
♥Western & Pac C$	15¾	–¼	152	7	8.64	–
♣Young Grp	167	–1	133	106	16.1	6.5

MEDIA

MERCHANT BANKS

OIL & GAS

MOTORS

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ *Tax-free to non-residents on application*
- ♦ Figures or report awaited
- ♥ Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	119.3	119.3	126.6	(z)	8.18
High Inc Equity	6	123.0	126.0xd	134.0	(z)	6.34
Worldwide Bond	6	217.2	217.2xd	230.3	(z)	6.18
Capital Growth						
American Growth	6	206.6	206.6	220.9	(z)	1.07
Asian Pacific	6	131.5	134.2	142.7	(z)	1.46
Assets & Earnings	6	181.1	182.1xd	193.6	(z)	3.26
Capital Reserve Acc	0	112.2	112.2	112.4	(z)	7.47
Capital Reserve Inc	0	88.75	88.75	88.84	(z)	7.47
Comdty & Energy	6	68.41	68.41	73.16	(z)	1.48
1992 Enterprise	6	66.00	66.00	70.58	(z)	3.12
Euro Capital Acc	6	88.28	88.28	94.41	(z)	1.10
Euro Capital Inc	6	84.34	84.34	90.20	(z)	1.11
General	6	166.1	166.1	177.6	(z)	3.27
Japan	6	89.67	89.67xd	95.90	(z)	–
Mastertrust	6	89.51	89.51	95.73	(z)	2.86
UK Growth Acc	6	166.7	173.9	184.9	(z)	2.55
UK Growth Dist	6	105.9	110.5xd	117.5	(z)	2.60
US Emerging Cos	6	85.25	86.91	92.45	(z)	–
Income & Growth	6	290.6	290.6xd	310.8	(z)	4.50
Ethical	6	52.89	54.29	57.75	(z)	2.77
International	6	62.01	62.90	66.91	(z)	1.24
Dividend & Growth	6	45.77	46.92	49.91	(z)	6.01
Global Grth & Sec	6	53.07	53.38	56.78	(z)	3.05
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1092.0	1092.0	1154.0	.....	–
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	30.32	30.32	32.10	-0.32	2.48
Cash	0	50.74	50.74	50.74	+0.05	9.90
European	5¼	69.01	69.01xd	73.24	-0.64	0.31
European Income	5¼	72.99	72.67	76.67	+0.09	1.60
Exempt	1	799.9	799.9xd	828.4	-2.1	4.92
Extra Income	5¼	36.10	36.10	39.26	.....	6.31

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	77.22	78.08	83.50	-0.08	3.00
Do (Accum)	6	82.70	83.62	89.43	-0.09	3.00
Service Cos	6	64.50	64.50	68.98	-0.06	2.26
Do (Accum)	6	68.50	68.50	73.26	-0.06	2.26
Income Growth	6	39.70	39.70	42.46	-0.13	5.70
Do (Accum)	6	57.16	57.16	61.14	-0.18	5.70
Higher Yield	6	31.26	31.28xd	33.43	-0.07	4.90
Do (Accum)	6	40.76	40.76	43.59	-0.10	4.90
American Gth Inc	6	38.38	38.38xd	41.05	-0.49	0.63
Do (Accum)	6	39.15	39.15	41.87	-0.50	0.63
European Growth	6	25.27	25.27	27.03	-0.04	1.74
Do (Accum)	6	25.98	25.98	27.79	-0.04	1.74
Global Bond Inc	6	22.65	22.91	24.50	-0.10	6.48
Do (Accum)	6	27.12	27.19	29.08	-0.12	6.48
Managed P'folio Inc	6	26.04	26.13	27.94	-0.12	0.22
(Do Accum)	6	26.04	26.13	27.94	-0.12	0.22
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262						
Mngd P'folio Inc	6	77.97	77.97xd	83.04	-0.04	2.50
Mngd P'folio Acc	6	145.2	145.2	154.6	-0.30	–
UK General	6	116.9	116.9	124.5	-0.20	4.07
Conv & General	6	16.62	16.62	17.70	+0.07	18.75
European Inc	6	20.58	20.58	22.16	+0.03	0.51
European Acc	6	21.14	21.14	22.76	+0.03	–
Financial	6	91.53	91.53	97.48	-0.45	4.85
Foundation	6	60.17	61.74	65.75	-0.09	4.27
German	6	35.97	35.97	38.54	+0.29	0.10
Growth Inc (5-1)	5	23.34	23.39	24.91	+0.12	3.72
Growth Acc (5-1)	5	26.56	26.61	28.34	+0.13	–
High Income	6	56.18	56.44	60.39	.....	7.24
Income	6	92.69	92.69	98.99	+0.30	5.48
Intl Income	6	74.87	74.87xd	79.74	+0.05	6.05
Intl Growth §	6	29.41	29.41	31.32	-0.20	1.25
Monthly Income	6	53.01	54.95	58.50	-0.17	5.76
North American	6	84.53	85.23xd	90.77	-0.60	0.24
Orient §	6	88.20	88.20	94.95	-1.31	–
Recovery	6	28.96	28.96	30.84	-0.03	3.65
Smaller Cos Acc	6	191.0	191.0	203.4	-0.40	–
Smaller Cos Inc	6	113.5	113.5	120.9	-0.20	1.90
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	175.6	175.6	181.6	.....	7.21

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867
MW Joint Investors ... 0 | 1075.3 | 1075.3 | 1102.8 | ..... | 4.38

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242
Maiden General ... 0 | 105.6 | 105.4xd | 108.7 | ..... | 5.95

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.48	50.48	50.98	+0.02	10.1
Comnd Prfmnce	5½	48.21	48.35xd	51.79	+0.02	9.00
Ethical	5¼	47.48	48.64	51.74	-0.11	4.45
European Growth	5½	47.64	47.83	51.02	+0.04	3.0
Income	5½	45.25	45.81	48.85	-0.03	8.05
Intl Growth	5½	65.73	65.78	70.17	-0.26	3.62
Managed	5½	57.85	58.21	62.09	-0.12	4.57
UK Growth	5½	48.49	49.14xd	52.42	-0.02	5.91
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	194.6	196.7xd	204.8	—	3.06
Do Income	3	182.1	184.0xd	191.6	—	3.06
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.87	35.87	38.12	-0.3	2.41
UK Equity Gth Acc	5¼	48.86	49.79	52.91	-0.3	2.08
UK Eq High Inc Inc	5¼	28.18	28.85	30.66	-0.3	6.28
UK Eq High Inc Acc	5¼	31.68	32.45	34.48	-0.3	6.28
UK Equity Gen Acc	5¼	45.53	46.27	49.17	-0.3	3.49
UK Equity Gen Inc	5¼	35.62	36.21	38.48	-0.2	3.49
UK Larger Cos Acc F	7½	300.8	304.7	330.6	-1.8	4.84
UK Larger Cos Inc F	7½	242.2	245.3	266.2	-1.5	4.84
Gilt & Fxd Int Inc	5¼	28.27	28.34	29.96	—	7.41
Gem Lng Cos Acc F	7½	209.8	213.3	231.5	-2.0	2.00
Nth American Acc	5¼	35.14	35.29	37.50	-0.6	0.71
Far East Acc	5¼	39.35	40.37	42.90	-0.4	0.01
European Acc	5¼	34.76	36.07	38.33	—	1.67
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	291.1	291.1	310.5	-5.2	0.74
(Accum Units) ♥	5	342.6	342.6	365.5	-6.1	0.74
British	5	794.3	807.3	854.1	-0.7	6.07
(Accum Units)	5	1305.0	1326.4	1403.3	-1.1	6.07
European	5	330.1	330.1	350.7	+1.5	1.42
(Accum Units)	5	357.8	357.8	380.2	+1.7	1.42
Japan	5	107.4	107.4	114.3	-1.4	—
(Accum Units)	5	108.3	108.3	115.2	-1.4	—
New Pacific	5	183.3	183.3	195.4	-0.2	1.78
(Accum Units)	5	188.2	188.2	200.7	-0.2	1.78
PEP Feb 5	5	148.8	150.5	159.0	—	3.54
Mngd Equity	5	124.5	125.8	133.1	—	3.22
Mngd Equity Acc	5	132.1	133.5	141.2	—	3.22
Mngd Cash	0	96.20	96.20	96.20	+0.06	10.30
(Accum Units)	0	118.6	118.6	118.6	+0.10	10.30
Majority Stkg	1	100.22	100.22	101.23	+0.06	10.10
Majority Stkg Acc	1	109.14	109.14	110.24	+0.07	10.10
Storebrand Intl Inv Mngrs Ltd (1200)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Jan 16	495.45	499.11	—	2.83
Gross Jan 16	170.31	171.48xd	—	11.36
High Yield Jan 16	280.25	282.47	—	7.79
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.85	53.96	+0.10	3.88
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1158.0	1250.0xd	—	—
Mngd Fund (Acc)	66.2	70.6	—	—
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2580.0	—	7.40
Inc Gth Prp Jul 31	£1375.0	1460.0	—	8.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Feb 5	£3904.3	4075	—	3.90
European Feb 5	£573.0	579.5	—	1.51
American Feb 5	£360.2	363.3	—	2.26
Japan Feb 5	£460.6	473.9	—	1.37
Pacific Feb 5	£141.0	145.1	—	1.20
W Midlands Jan 31	£132.00	147.00	—	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jan 31	196.75	200.75	—	7.95
Equity Jan 31	888.05	895.20	—	3.77
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Feb 7		103.53xd	-0.1	10.42
(Accum Units)		626.95	-0.5	10.42
NAACIF Jan 28		40.03xd		9.62
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Feb 4	127.0	137.7	—	1.97
UK Small Co † Feb 4	520.4	570.8	—	3.50
Fixed Interest † Feb 4	111.4	117.1	—	8.55
US Small Co Feb 4	176.8	189.0	—	0.00
Managed Feb 4	105.7	116.4	—	3.40
Intl Bond Feb 4	121.4	128.1	—	10.02
Japan Feb 4	70.62	75.31	—	3.90
European Feb 4	89.84	96.31	—	1.77
Nth American Feb 4	119.2	128.2	—	1.25

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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SWITZERLAND (SIB RECOGNISED)

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OTHER OFFSHORE FUNDS

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MANAGED FUNDS NOTES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers some ground

THE DOLLAR yesterday recovered some of its recent sharp fall as dealers moved to cover short positions, *writes Peggy Hollinger.*

The US currency gained just over one pfennig on Friday's DM1.5595 close in London to finish yesterday at DM1.5705. During the day the dollar had two brief surges, hitting a high of DM1.5785. In New York the dollar ended at DM1.5781.

Traders said there had been some outright speculative buying which had helped briefly to boost the US currency.

Generally, however, it appeared the market was shrugging off talk of an imminent rate cut in the US – preferring instead to concentrate on the depressing economic pictures broadcast by Germany and Japan.

One senior dealer even suggested that a rate cut in the US would be good news for the dollar. "The market would see an early rate cut as evidence of the Fed's determination to get the economy moving," said Mr David Cocker of Chemical Bank.

He added that investors were looking for excuses to buy the US currency, but so far they had been thwarted by depressing data. "In the present environment, the market does not like the look of Germany and is not keen on Japan . . . if there is a piece of good news [from the US], you will not see the dollar for dust," he said.

Mr Neil MacKinnon, chief economist with Yamaichi International, said he expected the interest rate differential to move in the dollar's favour by the end of the year, pushing the US currency as high as DM1.80.

The generally pessimistic view on the Japanese economy, and short covering, gave some strength to the dollar against the yen. The US unit jumped from Friday's close of Y125.20 to finish at Y126.70 in London. In New York it rose to Y126.78.

Political scandal, economic weakness, and even talk of an earthquake have conspired against the Japanese currency.

Mr MacKinnon suggested that Japan could announce a rate reduction before the end of the month, when the government publishes its Tankan survey covering manufacturing investment plans and business confidence. "There is evidence from monthly figures to suggest that the Japanese economy is decelerating quickly," he said.

The D-Mark also strengthened against the yen, moving from Friday's close of Y79.96 in Frankfurt to its highest for a month at Y80.60.

The German currency's gains against the yen did not disturb the European exchange rate mechanism. As usual, sterling remained stubbornly at the bottom of the grid, pinned down by a strong peseta.

Spanish consumer price figures out later this week will do little to encourage authorities to cut rates there.

The pound closed unchanged against the D-Mark at DM2.8675, and weakened slightly against the dollar at $1.8260 from Friday's close of $1.8380.

£ IN NEW YORK

Feb.10	Close	Previous Close
£ Spot	1.8180-1.8190	1.8380-1.8390
1 month	0.95-0.93pm	0.96-0.95pm
3 months	2.86-2.83pm	2.90-2.88pm
12 months	9.78-9.68pm	9.80-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.10	Previous
8.30 am	91.4	91.2
9.00 am	91.4	91.2
10.00 am	91.3	91.2
11.00 am	91.4	91.2
Noon	91.4	91.2
1.00 pm	91.3	91.2
2.00 pm	91.3	91.4
3.00 pm	91.4	91.4
4.00 pm	91.4	91.4

CURRENCY MOVEMENTS

Feb 10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.4	-20.3
U.S Dollar	62.2	-17.1
Canadian Dollar	100.9	-1.2
Austrian Schilling	110.4	+12.4
Belgian Franc	112.1	-1.5
Danish Krone	109.5	+3.6
D-Mark	119.4	+25.7
Swiss Franc	108.7	+17.1
Dutch Guilder	115.1	+16.9
French Franc	103.8	-12.5
Lira	99.3	-19.5
Yen	141.9	+79.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.7

CURRENCY RATES

Feb 10	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.774659	0.711794
U.S Dollar	3.50	1.40771	1.30116
Canadian $	7.29	1.65899	1.52951
Austrian Sch	7.50	15.6622	14.3687
Belgian Franc	8.50	45.8245	42.0568
Danish Krone	9.50	8.63137	7.92081
D-Mark	8.00	2.22489	2.04191
Dutch Guilder	8.50	2.50249	2.29850
French Franc	10¼	N/A	6.95926
Italian Lira	12	1673.37	1538.23
Japanese Yen	4.50	176.879	163.660
Norway Krone	8	8.73315	8.01580
Spanish Peseta	-	140.016	128.683
Swedish Krona	10.00	N/A	7.42377
Swiss Franc	7.00	1.98487	1.82162
Greek Drach	19	257.158	236.551
Irish Punt	-	0.833056	0.766290

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Feb.7

OTHER CURRENCIES

Feb 10	£	$
Argentina	1.8105 - 1.8135	0.9900 - 0.9910
Australia	2.4410 - 2.4430	1.3370 - 1.3380
Brazil	2544.75 - 2546.55	1391.50 - 1391.70
Finland	7.8285 - 7.8420	4.2750 - 4.2780
Greece	328.750 - 334.000	179.350 - 182.250
Hong Kong	14.1540 - 14.1675	7.7445 - 7.7465
Iran	2607.00*	1418.00*
Korea(Sth)	1392.40 - 1414.85	759.80 - 768.80
Kuwait	0.53345 - 0.53545	0.29175 - 0.29275
Luxembourg	58.90 - 59.00	32.25 - 32.35
Malaysia	4.7515 - 4.7630	2.6010 - 2.6030
Mexico	5543.10 - 5555.30	3063.00 - 3064.00
N.Zealand	3.3770 - 3.3820	1.8470 - 1.8495
Saudi Ar.	6.8430 - 6.9200	3.7495 - 3.7505
Singapore	2.9605 - 2.9675	1.6185 - 1.6205
S.Af (Cm)	5.0560 - 5.0680	2.7680 - 2.7695
S.Af (Fn)	6.2835 - 6.3935	3.4365 - 3.4965
Taiwan	45.75 - 45.85	24.95 - 25.00
U.A.E.	6.7005 - 6.7775	3.6715 - 3.6735

*Floating rate. Iran Official rate £117.40 $65.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.683	-3.70	6.06	64
Belgian Franc	42.4032	42.0568	-0.82	2.98	38
Dutch Guilder	2.31643	2.29850	-0.77	2.93	37
D-Mark	2.05586	2.04191	-0.68	2.83	42
Irish Punt	0.767417	0.766290	-0.15	2.29	6
Italian Lira	1538.24	1538.23	0.00	2.14	-1
French Franc	6.89509	6.95926	0.93	1.19	-52
Danish Krone	7.84195	7.92081	1.01	1.12	-47
Sterling	0.696904	0.711794	2.14	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8220 - 1.8365	1.8255 - 1.8265	0.96-0.94cpm	6.24	2.87-2.84pm	6.25
Canada	2.1475 - 2.1550	2.1490 - 2.1500	0.61-0.54cpm	3.21	1.82-1.70pm	3.28
Netherlands	3.2240 - 3.2375	3.2250 - 3.2350	[illegible]cpm	0.93	[illegible]pm	0.70
Belgium	58.90 - 59.25	58.90 - 59.00	6-1cpm	0.71	15-10pm	0.85
Denmark	11.1050 - 11.1400	11.1050 - 11.1150	[illegible]orepm	0.34	[illegible]dis	-0.14
Ireland	1.0740 - 1.0770	1.0740 - 1.0750	0.03-0.01cpm	0.22	0.06-0.03pm	0.17
Germany	2.8645 - 2.8700	2.8650 - 2.8700	[illegible]pfpm	0.78	[illegible]pm	0.78
Portugal	246.65 - 248.25	246.85 - 247.85	54-92cdis	-3.54	190-266dis	-3.69
Spain	180.55 - 181.05	180.65 - 180.95	26-39cdis	-2.16	97-113dis	-2.32
Italy	2157.45 - 2161.85	2159.25 - 2160.25	2-3liredis	-1.39	7-9dis	-1.48
Norway	11.2425 - 11.2760	11.2425 - 11.2525	[illegible]oredis	-0.20	[illegible]dis	-0.20
France	9.7625 - 9.7845	9.7725 - 9.7825	[illegible]cpm	0.31	[illegible]pm	0.28
Sweden	10.4105 - 10.4445	10.4125 - 10.4225	[illegible]oredis	-1.80	[illegible]dis	-1.87
Japan	229.95 - 231.75	230.75 - 231.75	[illegible]ypm	4.86	[illegible]pm	5.08
Austria	20.15 - 20.22	20.19 - 20.22	[illegible]gropm	0.78	[illegible]pm	0.71
Switzerland	2.5555 - 2.5675	2.5575 - 2.5675	[illegible]cpm	2.93	[illegible]pm	2.83
Ecu	1.4030 - 1.4060	1.4030 - 1.4040	0.04-0.01cpm	0.21	0.04-0.02pm	0.09

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.49-5.44cpm. 12 Month 9.80-9.70pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8220 - 1.8365	1.8255 - 1.8265	0.96-0.94cpm	6.24	2.87-2.84pm	6.25
Ireland†	1.6965 - 1.7085	1.6965 - 1.6975	0.90-0.85cpm	6.19	2.70-2.60pm	6.25
Canada	1.1735 - 1.1780	1.1760 - 1.1770	0.29-0.31cdis	-3.06	0.87-0.91dis	-3.03
Netherlands	1.7595 - 1.7715	1.7680 - 1.7690	0.80-0.83cdis	-5.53	2.47-2.51dis	-5.63
Belgium	32.10 - 32.35	32.25 - 32.35	14.00-15.00cdis	-5.39	43.00-46.00dis	-5.51
Denmark	6.0500 - 6.0920	6.0825 - 6.0875	2.80-3.10oredis	-5.82	8.80-9.50dis	-6.01
Germany	1.5585 - 1.5740	1.5700 - 1.5710	0.70-0.71pfdis	-5.39	2.18-2.20dis	-5.58
Portugal	135.35 - 137.00	135.35 - 135.45	103-113cdis	-9.57	320-340dis	-9.75
Spain	98.05 - 99.10	98.90 - 99.00	68-71cdis	-8.43	211-218dis	-8.67
Italy	1172.75 - 1184.40	1182.50 - 1183.00	7.30-7.80liredis	-7.66	22.50-23.50dis	-7.78
Norway	6.1200 - 6.1650	6.1575 - 6.1625	3.00-3.50oredis	-6.33	9.50-10.40dis	-6.46
France	5.3150 - 5.3630	5.3525 - 5.3575	2.60-2.66cdis	-5.88	8.00-8.10dis	-6.01
Sweden	5.6695 - 5.7235	5.7025 - 5.7075	3.70-4.00oredis	-8.10	11.50-12.00dis	-8.24
Japan	125.25 - 126.80	126.65 - 126.75	0.14-0.15ydis	-1.37	0.39-0.41dis	-1.26
Austria	10.9710 - 11.0475	11.0425 - 11.0475	4.80-5.20grodis	-5.43	14.80-16.00dis	-5.58
Switzerland	1.3900 - 1.4045	1.4035 - 1.4045	0.36-0.39cdis	-3.21	1.16-1.19dis	-3.35
Ecu	1.2975 - 1.3085	1.3005 - 1.3015	0.69-0.66cpm	6.23	2.07-2.01pm	6.27

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	4 - 3⅞	[illegible]	[illegible]
Can. Dollar	7 - 6⅞	7 - 6⅞	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	7 - 6¾	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	10 - 9⅞	[illegible]
Italian Lira	12 - 10	[illegible]	12 - 11½	12 - 11½	12 - 11½	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 5	[illegible]
Danish Krone	10 - 9¾	10 - 9¾	10¼ - 10	10¼ - 10	10¼ - 10	10 - 9¾
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅞-5¾ per cent; three years 6¼-6 per cent; four years 6⅝-6½ per cent; five years 7-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.10	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.826	2.868	231.3	9.778	2.563	3.230	2160.	2.150	58.95	1.404
$	0.548	1	1.571	126.7	5.355	1.404	1.769	1183	1.177	32.28	0.769
DM	0.349	0.637	1	80.65	3.409	0.894	1.126	753.1	0.750	20.55	0.490
YEN	4.323	7.895	12.40	1000.	42.27	11.08	13.96	9339	9.295	254.9	6.070
F Fr.	1.023	1.867	2.933	236.6	10.	2.621	3.303	2209	2.199	60.29	1.436
S Fr.	0.390	0.712	1.119	90.25	3.815	1	1.260	842.8	0.839	23.00	0.548
N Fl.	0.310	0.565	0.888	71.61	3.027	0.793	1	668.7	0.666	18.25	0.435
Lira	0.463	0.845	1.328	107.1	4.527	1.187	1.495	1000.	0.995	27.29	0.650
C$	0.465	0.849	1.334	107.6	4.548	1.192	1.502	1005	1	27.42	0.653
B Fr.	1.696	3.098	4.865	392.4	16.59	4.348	5.479	3664	3.647	100.	2.382
Ecu	0.712	1.301	2.043	164.7	6.964	1.825	2.301	1538	1.531	41.99	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PARIS [illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8260	1.8165	1.7974	1.7715	1.7285

MONEY MARKETS

UK rates soften

RATES eased in the money markets yesterday as traders got excited about possible a cut in UK rates this week. However, most economists said sterling's position within the exchange rate mechanism precluded a cut being announced with Friday's retail price index, as rumoured.

"Sterling is still the weakest and, bearing in mind the Bundesbank is unlikely to cut rates," said Mr Neil MacKinnon, chief economist with Yamaichi International, "that closes the window of opportunity for a UK rate cut." Mr McKinnon suggested that, as a result, Chancellor Norman Lamont might offer more generous terms in his budget.

Short-term money was fairly cheap, with everything up to one year at 10½ per cent or below. The key three-month interbank rate was the highest at 10$\frac{9}{16}$-$\frac{1}{2}$ per cent. The March short sterling contract jumped early in the day to 89.77, from Friday's close of 89.66, and remained there. This suggested the market was expecting an interest rate of 10.23 per cent. Economists have not discounted an interest rate cut before the summer.

The main impetus to the current rate cut rumour appeared to be the Bank of England's early action in taking out its forecast £1.45bn shortage. All but £142m was eliminated with cheaper band three and four bills – at interest rates of between 10$\frac{7}{16}$ and 10½ per cent – and a £1.215bn resale agreement at 10$\frac{7}{16}$ per cent which falls due on March 2. A Bank official warned against reading too much into the small amount done at the cheaper rate, or the early action.

The bulk of the shortage was due to treasury bills and maturing assistance.

Overnight rates bounced around, falling to 9 per cent, then rising to 12 and ending the day at a more normal 10$\frac{7}{16}$-$\frac{5}{16}$ per cent.

German call rates were slightly firmer yesterday, at 9.55/65 per cent, compared with Friday's 9.55/60 per cent. The market expected the Bundesbank to keep liquidity tight in this week's round of securities repurchase agreements. A DM30.6bn repo falls due on Wednesday.

In the US, the Federal Reserve gave a clear signal that it would not ease rates during the day, with a drain on reserves at 3⅞ per cent. However, a cut some time soon is not being discounted by economists, who point out that there are no inflationary constraints.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.10) 3 months US dollars | 6 months US Dollars

bid 3¾	offer 4	bid 3⅞	offer 4

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.78	Three year	5.36
Broker loan rate	6	Six month	3.93	10-year	7.19
Fed.funds	3⅞	One year	4.09	30-year	7.79
Fed.funds at intervention	3⅞	Two year	4.92		

Feb.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.50-9.60	9.45-9.55	9.45-9.58	9.40-9.50	9.75
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]-10	9.60
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.37-9.50	9.52-9.64	-	9.48-9.60	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	9.43-9.56	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Feb 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	[illegible]	[illegible]	10½	[illegible]	[illegible]
Interbank Bid	8	[illegible]	10½	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	10½	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	[illegible]	-	-	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.97	3.95	3.97	4.30
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	6½	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	10½	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	10

Treasury Bills (sell); one-month 10$\frac{5}{32}$ per cent; three months 9$\frac{31}{32}$ per cent; six months 9$\frac{29}{32}$ per cent; Bank Bills (sell): one-month 10$\frac{5}{32}$ per cent; three months 9$\frac{31}{32}$ per cent; Treasury Bills; Average tender rate of discount 9.8269 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1992. Agreed rates for period Feb.26, 1992 to March 24, 1992, Scheme I: 11.75 p.c., Schemes II & III: 12.01 p.c. Reference rate for period Jan 1, 1992 to January 31, 1992, Scheme IV&V: 10.713 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from February 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

LEGAL NOTICES

[illegible]

ART GALLERY

ROY MILES GALLERY RUSSIAN ART 1930-1990 Also on view the model for H.M. Queen Mother's Gate for Hyde Park. 29 Bruton St, W1. 071-495 4747.

MONEY MARKET FUNDS

Money Market Trust Funds

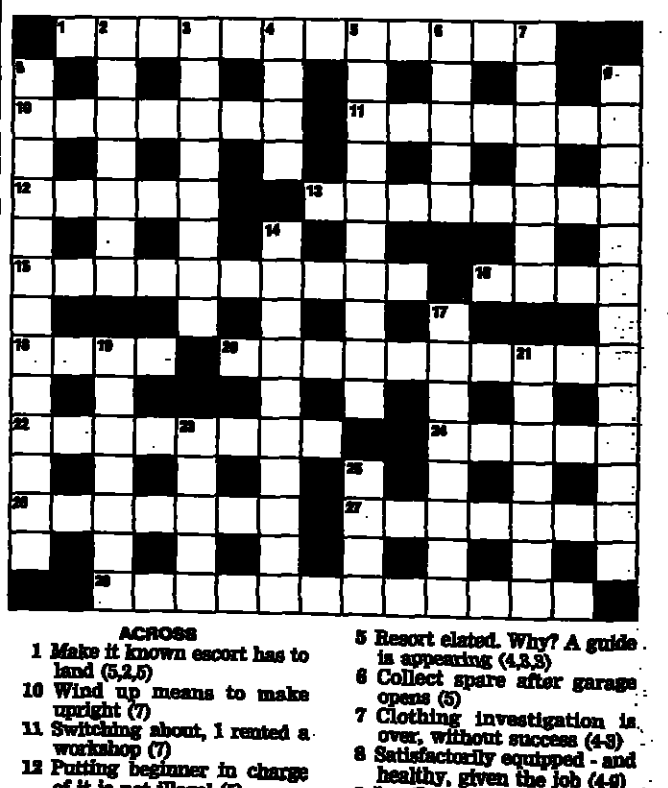
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

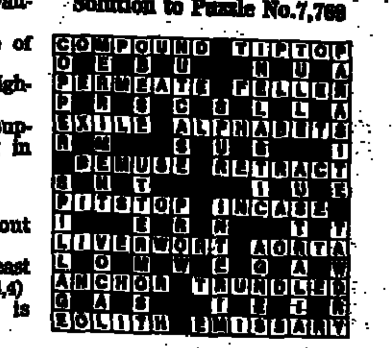
No.7,770 Set by HIGHLANDER



ACROSS
1 Make it known escort has to land (5,2,5)
10 Wind up means to make upright (7)
11 Switching about, I rented a workshop (7)
12 Putting beginner in charge of it is not illegal (5)
13 Rises needed to pay for drink (6,2)
15 Equipment for hammering posts in moved en masse to waterway (4-6)
16 Chief attraction of Polaris (4)
18 Eggs left on the ground (4)
20 The art of getting out: every shrewd convict starts with expression of regret (10)
22 Criticise swing sound of piano piece (8)
24 Crooked, like a line of waiters, say (5)
26 Becoming flat in spite of getting in key (7)
27 Shake it in a crowd at Highbury perhaps (7)
28 Bard has underlying support for ballet dancing in New Street (7,5)

DOWN
2 Academician bitter about liberal extremist (7)
3 Changes in deep at the least movement in sea-level (4,4)
4 Throw up until ship is trimmed (4)
5 Resort elated. Why? A guide is appearing (4,3,3)
6 Collect spare after garage opens (5)
7 Clothing investigation is over, without success (4-3)
8 Satisfactorily equipped - and healthy, given the job (4-9)
9 Landlord becoming peculiar to Newry (8,5)
14 Opening originally close to time (5,5)
17 Antonia's composed a short instrumental piece (8)
19 Old? Old: about . . . . about 101 (7)
21 Tree-nettle where wasp may develop (3,4)
23 In river without liquid waste (5)
25 China make team change for this match (4)

Solution to Puzzle No.7,769



WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices February 10

Quotations in cents unless marked $

MONTREAL

4:00 pm prices February 10

Total Sales 9,552,300 shares

INDICES

NEW YORK

DOW JONES	Feb 10	Feb 7	Feb 6	Feb 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3245.08	3225.40	3255.59	3257.60	3272.81 (4/2)	3172.41 (2/1)	3272.81 (4/2/92)	41.22 (2/7/32)
Home Bonds	99.45	99.67	99.81	99.49	99.81 (6/2)	98.77 (3/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1388.83	1383.22	1392.19	1383.41	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	207.44	206.25	207.81	207.75	225.59 (3/1)	206.25 (7/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3269.01 (3283.09*) Low 3208.86 (3199.91*)

STANDARD AND POOR'S

	Feb 10	Feb 7	Feb 6	Feb 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.77	411.09	413.82	413.84	420.77 (15/1)	408.78 (31/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.51	489.59	492.61	492.88	499.27 (15/1)	485.57 (31/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.26	34.13*	34.35	34.20	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.93	227.65	228.96	228.87	231.85 (15/1)	226.20 (31/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	415.14	415.41	416.25	415.24	416.25 (6/2)	395.51 (2/1)	416.25 (6/2/92)	29.31 (9/12/72)
NASDAQ Composite	634.13	634.95	637.67	636.97	637.67 (6/2)	586.45 (2/1)	637.67 (6/2/92)	54.87 (31/10/72)

	Feb 7	Jan 31	Jan 24	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.88	2.87	3.57

	Feb 5	Jan 29	Jan 22	year ago (approx.)
S & P Industrial div. yield	2.56	2.59	2.53	3.20
S & P Indl. P/E ratio	25.43	25.10	25.60	16.58

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Unisys Corp	5,772,100	9½	+ 1⅛
Citicorp	4,854,800	16⅝	- ⅛
Maxus Energy	3,833,600	7¼	+ 1¼
Boeing	2,707,900	48⅛	- 1¼
Philip Morris	2,448,500	75	- ¾
Chemical Bank	2,438,700	32⅛	+ 1⅝
RJR Nabisco	2,327,600	10⅝	----
Glaxo	2,056,500	30⅝	+ ⅝
Sec Pacific	1,974,600	32½	- ½
Pepsico	1,865,200	31¼	- ½

TRADING ACTIVITY

† Volume (Millions)	Feb 10	Feb 7	Feb 6
New York SE	184.390	228.601	238.180
Amex	16.465	22.480	19.112
NASDAQ	(u)	238.054	244.208
NYSE			
Issues Traded	2,203	2,184	2,174
Rises	1,063	709	902
Falls	652	968	769
Unchanged	488	507	503
New Highs	102	126	139
New Lows	10	17	14

CANADA

TORONTO	Feb 10	Feb 7	Feb 6	Feb 5	1992 HIGH	1992 LOW
Metals & Minerals	3037.21	3005.25	2998.11	2984.43	3238.87 (16/1)	2935.22 (2/1)
Composite	3608.50	3596.33	3606.70	3605.92	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1890.29	1879.04	1881.95	1885.25	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Correction.

	Feb 10	Feb 7	Feb 6	Feb 5	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1594.9	1590.9	1594.6	1602.9	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	697.7	675.6	673.7	678.2	703.50 (20/1)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	429.16	428.90	428.09	427.42	429.16 (10/2)	372.24 (2/1)
Traded Index (2/1/91)	1024.15	1022.88	1023.17	1020.89	1024.15 (10/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1164.56	1170.78	1172.78	1170.82	1183.78 (28/1)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	357.95	360.32	361.41	362.24	365.29 (15/1)	354.37 (2/1)
FINLAND						
HEX General (28/12/90)	888.6	889.3	884.0	884.3	894.50 (16/1)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	501.24	501.69	502.46	501.55	508.41 (29/1)	475.53 (2/1)
CAC 40 (31/12/87)	1865.55	1861.61	1860.61	1865.79	1890.60 (28/1)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	686.53	687.40	689.15	687.16	689.15 (6/2)	643.26 (8/1)
Commerzbank (1/12/53)	1942.60	1945.00	1949.2	1943.10	1949.50 (3/2)	1813.80 (8/1)
DAX (30/12/87)	1682.13	1685.52	1681.13	1686.62	1689.01 (3/2)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4733.56	4711.37	(c)	(c)	4733.56 (10/2)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1441.92	1443.66	1448.36	1452.36	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	541.95	547.58	551.59	550.71	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1068.0	1079.0	1085.0	1086.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	21819.52	22107.12	22104.92	21936.37	23801.18 (6/1)	20858.30 (21/1)
Tokyo SE (Topix) (4/1/68)	1612.94	1627.42	1631.25	1626.05	1763.43 (6/1)	1569.43 (21/1)
2nd Section (4/1/68)	2447.12	2453.71	2450.17	2429.83	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	603.35	589.84	575.81	(c)	603.35 (10/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	287.5	287.1	287.6	287.3	289.10 (21/1)	274.00 (8/1)
CBS All Shr (End 1983)	201.9	201.6	202.0	201.8	203.00 (21/1)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	699.93	704.60	710.38	716.15	748.03 (17/1)	678.99 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1234.53	1253.57	1252.37	1246.87	1303.30 (17/1)	1172.78 (2/1)
SINGAPORE						
SES All-Singapore (2/4/75)	412.71	413.33	414.59	(c)	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1284.04	1297.0	1299.0	1270.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4481.04	4485.0	4469.0	4436.0	4535.80 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	687.18	690.99	690.84	(c)	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	256.14	256.11	256.61	257.42	258.50 (15/1)	238.93 (2/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	953.90	966.80	968.8	978.3	989.20 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	785.8	784.1	782.6	778.5	785.80 (10/2)	748.50 (8/1)
SBC General (1/4/87)	632.7	631.8	631.1	629.2	632.70 (10/2)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	5204.55	5237.37	(c)	(c)	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	780.26	780.08	771.09	763.41	781.63 (24/1)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	525.4*	528.0	528.6	527.7	542.10 (7/1)	520.10 (13/1)
Euro Top-100 (26/6/90)	914.59	914.06	916.50	919.14	923.01 (28/1)	870.31 (2/1)

**Saturday February 8: Taiwan Weighted Price: 5217.63. Korea Comp Ex. 691.48.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 10 February 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kubota	3.1m	611	-9	Nippon Steel	1.6m	350	-4
Clarion	2.8m	1,100	+30	Aomori Bank	1.5m	596	-1
Ube Inds	2.3m	451	-12	Hitachi	1.4m	894	-4
Sharp	1.8m	1,440	+10	Toshiba	1.4m	649	+14
M'bishi Heavy	1.7m	644	-8	77 Bank	1.4m	821	-29

4:00 pm prices February 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅛	12¾	AAR Corp x	0.48	3.1	17	400	u15⅝	15⅛	15½	+⅜
26	22½	A L Labs A	0.16	0.7	25	110	23⅛	23	23	
69¾	58½	AMP Inc x	1.52	2.4	26	894	62⅝	62	62½	+⅛
75½	66⅞	AMR				253450	73¼	72	72½	-⅝
2⅜	1⅞	ARX			2	103	2¼	2⅛	2⅛	-⅛
53½	46¼	ASA	2.00	4.0	14	479	50	49⅝	50	-¼
68⅛	60¾	Abbott Lab	1.00	1.5	25	3622	65½	64½	64⅞	-½
13¼	12⅛	Abitibi Pr	0.50	3.9	17	4	13	12⅞	12⅞	-⅛
11⅝	10½	ACM Gvt In x	0.96	8.9		757	10¾	d10½	10¾	+⅛
10⅜	9⅛	ACM GvOpp x	0.80	8.5		166	9⅜	9¼	9⅜	-⅛
9½	8⅝	ACM Gvt Sp x	1.01	11.7		505	8¾	d8⅝	8⅝	
11¼	10⅛	ACM Gvt Se x	1.26	12.3		490	10⅜	10¼	10¼	
9⅜	8⅝	ACM Man x	0.95	10.4		384	9⅛	8⅞	9⅛	+⅛
12⅞	11⅞	ACM Managd x	1.08	9.0		239	12⅛	d11⅞	12	
10⅛	7	Acme Cleve x	0.40	4.1	16	225	10	9½	9¾	+⅜
5⅛	4½	Acme Elect				3z100	4⅝	4⅝	4⅝	
33⅛	21½	Acuson			14	2290	23¼	22⅝	22¾	-⅛
19⅞	18½	Adams Exp x	0.48	2.5	0	143	19⅛	19	19	
15¼	13	Adobe12Pf	2.40	16.0		160	u15½	14½	15	+¼
6⅞	4½	Adobe Res			53	200	u5⅞	6⅛	6⅞	+⅜
49⅛	42¼	Ad Micro				49	48½	46⅞	47⅞	+⅜
21½	17⅜	Ad Micro P	3.00	14.4		133922	20⅞	20½	20¾	+½
7	5	Advest Grp	0.16	2.3	28	914	u7	6½	6⅞	+½
45¾	39	Aetna Lf x	2.76	6.4	8	796	43¼	42¾	43⅛	+⅜

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	66½	Xerox x	3.00	3.8		163217	81	78¼	78⅝	-1⅛
53½	50½	Xerox 125 x				15	u53½	52½	53¼	
27½	24⅞	Xtra 1.94 x	1.94	7.2		60	27	26⅝	26⅞	-⅛
34¾	28½	Xtra Corp x	0.80	2.4	14	328	34¼	33¾	33¾	-¼
27	25¼	Yankee Egy	1.60	6.1	13	20	26½	26¼	26⅜	
⅞	½	Zapata			20	462	⅞	13/16	13/16	-1/16
9⅞	7¼	ZenithElec			3	580	9¼	9	9⅛	
16⅞	15¾	Zenith Nat x	1.00	6.2	134	141	16¾	16⅛	16⅛	-⅛
6⅝	6	Zenix Inc	0.84	12.7		257	u6⅝	6½	6⅝	+⅛
12⅝	11⅛	Zero Corp x	0.40	3.2	19	148	u12¾	12½	12⅝	
36	34⅝	Zurn Ind x	0.88	2.5	15	64	35	34¾	34⅞	
14⅛	13½	Zweig Fund	1.16	8.7		352	13½	d13⅜	13⅜	-⅛
11	10⅝	Zweig Totl x	0.95	8.9		519	10⅝	d10⅝	10⅝	+⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices February 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI Corp	0.14	8	467	8⅛	7¾	8	+⅛
Pall Corp	0.36	33	922	30¾	30⅜	30⅝	
Pegasus G	0.10	8	70	13	12⅞	13	
Perini		9	103	u14⅛	13⅝	14⅛	+⅛
Pet HI&P	0.31	7	30	11⅜	11⅛	11⅛	-⅛
Phil LD	0.18	14	337	35⅝	35	35⅛	-½
Pitway A x	1.10	12	2	28	28	27¾	
Ply Gem x	0.12	160	160	11⅜	11¼	11¼	-⅛
PMC	0.62	16	10	9⅞	9¾	9⅞	
PresRisA x	0.10	2	20	3	3	3	
Price Com		0	3	5/16	5/16	¼	-1/16
RB&W Co		2	10	3⅛	3⅛	3	
RiedelEnv		2	5	3¼	3⅛	3¼	+⅛
SJW Corp x	1.96	10	12	30½	30	30⅜	+⅝
StalUnion		42	5	15½	15½	15¾	
Start El		14	55	4⅜	4⅛	4⅜	+¼
TII Ind		1	z100	1½	1½	1½	
Tab Prods x	0.40	249	8	12⅝	12½	12½	
Tel&Data	0.30	50	335	40¼	39¾	40¼	+¼
Thermedics		88	124	10½	10¼	10¼	-⅜
Thermoinst		26	283	23¼	d22⅞	22⅞	-⅜
Total Pet	0.60	30	172	8⅞	8⅝	8¾	+⅛
TownCntry		1	81	2½	2⅜	2½	+⅛
Tubos Mex		1	1063	8⅝	8⅜	8⅝	+⅛
UtdFoodsA		4	52	1⅝	1⅝	1⅝	
UtdFoodsB		87	10	1⅝	1⅝	1¾	+⅛
UnivPtnrs		28	147	11⅝	10¾	10⅞	-⅞
US Cellul		35	167	21⅞	21½	21⅞	+¼
Vivigen		29	168	15	14	14	-1¼
WangLab C		1	10	7⅛	7⅛	7⅛	
WangLab B		1	2000	u4	3⅞	4	+⅛
Weatherfd		33	843	4⅞	4⅝	4¾	+⅛
Wellman x	0.48	9	93	20¾	19⅞	20¼	+⅜
WIRET	1.29	14	166	13⅜	13⅛	13⅜	+⅜
Worthen		9	52	19⅛	19⅛	19⅛	
Xytronix		20	286	16	15½	16½	-½

NASDAQ NATIONAL MARKET

4:00 pm prices February 10

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1611	27½	26¾	27	-⅛
Xoma Corp		13	2479	23½	22¾	23	-¼
Yellow Fr x	0.94	31	1096	30	27⅞	30	+1¾
York Rsch		57	3858	7	6⅛	6⅞	-⅛
ZionsUtah	1.44	9	52	u47½	46	47	

AMERICA

Dow rises on hopes of one more rate cut

Wall Street

US SHARE prices rose yesterday on continued speculation that the Federal Reserve would cut interest rates one more time in the wake of last Friday's bad unemployment news, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average closed 19.68 up at 3,245.08, near its high for the session. The Standard & Poor's 500 put on 2.55 to 413.64. The Nasdaq composite of over-the-counter stocks, however, ran into sustained selling and finished 0.82 off at 634.13. NYSE turnover was light by recent standards at 184m shares.

Disappointment on Friday that the Fed did not ease following worse than expected employment data had faded by the time the market opened yesterday, and hopes remained high that the authorities would lower interest rates to boost the economy. Investors were uncertain, however, about the timing, and equity price rises were restrained by the consensus opinion that the Fed will not move until the completion of the big Treasury auctions this week.

Time Warner lost $¾ to $93¼ in active trading after the entertainment group announced fourth-quarter profits of $45m, compared to a loss of $34m a year ago. Included within the figures, which did not surprise the market, were a decline in earnings from the group's publishing operations but record profits from Time Warner's film and Home Box Office divisions.

Security Pacific slipped $½ to $32½ and BankAmerica shed $¾ to $39¾ amid continued concern among investors that the banking groups' planned merger could be scuttled by challenges from Washington state legislators.

Motorola advanced $⅞ to $81 and Northern Telecom moved forward $1⅛ to $47⅞ after the two groups announced the formation of a cellular telecommunications joint venture.

American Cyanamid fell $1⅝ to $58⅞ in turnover of 1m shares on the news that the Justice Department is investigating allegations that a company official tampered with drug data.

Hercules rose $1⅞ to $48¾ after Merrill Lynch raised its investment rating on the chemical group's stock and increased its profits forecast for 1992.

On the over-the-counter market, MGI Pharmaceutical plummeted $10¾ to $11⅝ after the company halted phase three clinical trials of MGI 136, its protective agent used for chemotherapy treatment.

Argonaut climbed $2½ to $27½ in the wake of reports that some industry analysts believe the insurance group's stock is undervalued.

Software Technologies declined $½ to $6¾ after reporting fiscal third-quarter net income of just 5 cents a share, well below the 15 cents a share expected by the consensus of analysts' forecasts.

Canada

TORONTO ended moderately firmer but in quiet trade as players stayed cautious ahead of this week's US Treasury refunding and Friday's US producer price index.

Canadian biotechnology stocks ended stronger, escaping from profit-taking of their US counterparts after a press article said the sector may be due for a correction.

The composite index gained 12.17 at 3,608.5. Advancing issues led declines by 305 to 278 after volume of 21.9m shares valued at C$216.24m.

CCL industries reported a loss of C$1.1m in the fourth quarter, against a profit of C$400,000 a year ago. The "B" shares were off C$¼ at C$8¾.

SOUTH AFRICA

JOHANNESBURG eased on fears that the recent weakness in the financial rand had boosted share prices unrealistically. The currency's volatility also harmed sentiment. The JSE index fell 14 to 3,660, while the all-gold index shed 13 to 1,284. Industrials fell 4 to 4,481.

EUROPE

Perrier jumps 7.5% as stock comes back into play

PAPER stocks were weak across the Continent yesterday, *writes Our Markets Staff.*

PARIS concentrated on the takeover target, Perrier, which was re-quoted for the first time since its suspension on January 20. The stock jumped FFr105 or 7.5 per cent to FFr1,501 with a heavy 157,925 shares exchanged in two-way trading as some investors took their profits and others sought to get a piece of the action. Dealers said the stock was also being kept above Nestle's offer of FFr1,475 to prevent the Swiss group from picking up Perrier cheaply.

The day's biggest gainer was the construction company SAE which jumped FFr183 or 19.9 per cent to FFr1,103 with 10,975 shares traded. The shares were re-quoted yesterday following CBV's approval on Friday of a FFr1,110-a-share bid from its fellow builder, Fougerolle.

The CAC-40 index closed up 3.94 at 1,865.55 in turnover estimated at a light FFr1.6bn. Dealers were surprised that Eurotunnel only fell FFr1.10 to FFr45.85 with 993,000 shares traded in spite of news of a delay in the tunnel's opening.

Also on the decline was Elf which lost FFr3.60 to FFr355.40 with 292,500 shares traded on reports that its chairman had mentioned a possible capital increase during a radio interview.

FRANKFURT was supported by a tentative move into chemicals, and there was a sprinkling of price fluctuations – mostly on the downside – elsewhere, partly attributed to thin trading as volume slipped from DM4.6bn to DM4.5bn.

Hoechst led the big three chemicals up with a DM3 rise to DM252.10. Mr Alex Magona of Paribas Capital Markets said that investors were attracted by the high dividend yields and the sector's recovery prospects.

Falls included PWA, the papermaker, down DM7.50 to DM227 on domestic reports that the paper industry sees no immediate prospect of a cyclical upturn; Metallgesellschaft, DM16.70 lower at DM410.10 ahead of today's annual news conference, with the word out that the occasion will not be a happy one; and Hochtief, the construction group, down DM28 to DM1,200 on profit-taking after a period of relative strength.

Deutsche Babcock rose DM5.40 to DM174.50. Rumours that Siemens's KWU power generation unit was about to take a stake in Babcock were denied after hours.

MILAN fell in reaction to last Friday's fall on Wall Street and the overnight decline in Tokyo. The market was also weakened by technical considerations as chartists expected the Comit index to meet resistance at 550. The Comit index fell 5.63 to 541.95 in turnover estimated at a light L90bn after L98bn on Friday.

Burgo, the paper group, came under pressure after an unusually prescient domestic broker forecast that the company would have a bad 1992 because it would be unable to pass on the rise in pulp prices to its customers. The stock fell L360 or 3.9 per cent to L8,890.

Ciga, the hotels group, fell L47 to L1,902 after news that it remained in the red in 1991 while turnover was little changed at L490bn. Some brokers' expectations of a turnround in 1993 gave little support to the stock.

Sip and Stet, which have started a joint campaign to deter the government from opening up the cellular telephone market, were relatively firm; Sip eased L20 to L1,456 while Stet lost only L4 to L2,380.

AMSTERDAM closed mixed with the paper and packaging sector worst hit: VRG, the paper wholesaler, closed down Fl 3.00, or nearly 7 per cent, at Fl 42.80 following Friday's announcement of a lower-than-expected net profit for 1991. This slide carried over to Buehrmann-Tetterode, the printing machinery group, which slipped Fl 0.90 to Fl 43.90.

The CBS Tendency Index was unchanged at 121.3. Ahold failed to announce an acquisition at its news conference and declined Fl 0.10 to Fl 80.90.

ZURICH closed steady in moderate trade, the SPI index edging 0.2 higher at 1,120.4. Blue chips gained more, with the SMI index of leading shares up 5.8 at 1,785.1.

Dealers noted good demand for the chemicals group, Ciba-Geigy, seen as undervalued by some. Its bearers rose SFr50 to SFr3,330. Among banks, Swiss Volksbank firmed SFr20 to SFr990, although it cut its dividend yesterday on a 38 per cent drop in profits.

STOCKHOLM fell on Friday's Wall Street declines, and nervousness ahead of today's results from Ericsson. The Affärsvärlden General index ended 12.9 lower at 953.9 with Ericsson B SKr3 lower at SKr181.

Procordia B fell another SKr11 to SKr181, down from a 1992 high of SKr220 and paying the price for merger plans with Volvo which failed to get government support.

MADRID was flat ahead of Thursday's publication of January inflation figures: analysts are looking for a rise of between 1.7 and 1.9 per cent. The general index closed up 0.03 at 256.14. Telefónica continued firm, with brokers reporting strong US interest: it gained Pta30 or 2.5 per cent, to Pta1,220. The banks were generally weak with Banco de Santander's weekend results being discounted: it slipped Pta25 to Pta4,605.

ISTANBUL eased again following a two-day recovery due to lack of new cash and pessimism caused by the delay in the implementation of the capital markets measures announced in mid-January. The index closed at 4,458.79, down 117.34 or 2.6 per cent.

FT-SE Eurotrack 100 - Feb 10							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1133.44	1133.33	1134.48	1135.75	1136.51	1136.75	1136.91	1137.58
Day's High 1138.12				Day's Low 1132.89			

Feb 7	Feb 6	Feb 5	Feb 4	Feb 3
1137.10	1138.76	1138.71	1132.79	1134.04

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei turns lower on opposition election victory

Tokyo

SHARE PRICES weakened in thin trading as last Friday's fall on Wall Street and the ruling Liberal Democratic Party's defeat in an upper house by-election at the weekend depressed sentiment, *writes Emiko Terazono in Tokyo.*

The 225-issue Nikkei average closed 287.60 down at the day's low of 21,819.52 after opening at the session's high of 22,054.11. The index finished below 22,000 for the first time in three trading days.

Volume fell to 137m shares from 200m, as market participants refrained from activity ahead of the national holiday today. Declines outnumbered advances by 747 to 208, with 165 issues remaining unchanged. The Topix index of all first section stocks declined 14.48 to 1,612.94, and in London the ISE/Nikkei 50 index eased 1.34 to 1,230.89.

The victory for the opposition in the House of Councillors Nara prefecture by-election, in eastern Japan, raised uncertainty over the progress of the budget bill which is currently being debated, and the upper house elections in July.

Mrs Mineko Sasaki-Smith, head of research at Crédit Suisse, said: "The instability of the LDP will affect stock prices." However, Mr Jason James, equity strategist at James Capel, said the political stall could increase pressure from the LDP on the Bank of Japan to cut the discount rate.

Minolta Camera dropped to Y486 before closing down Y15 at Y500, following last week's US district court's ruling ordering Minolta to pay $96.35m to Honeywell, the US technology company, for patent infringement. Other precision makers also lost ground, with Olympus Optical falling Y30 to Y1,380.

Weakness spread to other high-technology stocks, with Matsushita Electric Industrial retreating Y50 to Y1,400 and Sony Y30 to Y4,250.

Clarion, a speculative favourite, advanced Y30 to Y1,100 on active cross trading. Some individual investors were noted trading the stock for quick profits.

Nippon Steel lost Y4 to Y350. Traders said the stock was being neglected due to fears that institutional investors would liquidate holdings ahead of the March book closing.

QP, a leading mayonnaise maker, weakened Y30 to Y1,260 on profit-taking. It had gained last week on news of lower egg prices.

In Osaka, the OSE average slipped 209.47 to 23,481.73 in volume of 56.1m shares. Trading was limited to window dressing ahead of the March book closing. Chemical and machinery stocks lost ground while engineering and transport equipment firmed.

Roundup

KUALA LUMPUR and Hong Kong stood out in a generally mixed Pacific Rim yesterday, one closing at a six-month high and the other achieving its third consecutive record peak.

HONG KONG shook off an early bout of profit-taking and closed at another record high. The Hang Seng index advanced 22.19 to 4,733.56 and turnover remained heavy, at HK$2.88bn after Friday's HK$2.80bn.

While property counters declined modestly, utilities and the commercial and industrial sector registered solid gains. Banks were narrowly mixed.

KUALA LUMPUR extended last week's rise on strong support from institutions. The composite index closed above 600 for the first time since August 1, ending 13.51 or 2.3 per cent up at 603.35 in volume of 95m shares (55.8m). Renong was the most actively traded, firming 2 cents to M$1.18 in volume of 7.6m shares.

SINGAPORE closed mixed as investors concentrated on neighbouring Malaysia. The Straits Times Industrial index recouped a five-point deficit to end 0.13 up at 1,526.42, in turnover of S$167.4m (S$145.5m).

MANILA fell back on fears that International Monetary Fund approval for its economic plans might fail after the senate rejected a tax proposal. The composite index relinquished 19.04 to 1,234.53 in turnover of 146.9m pesos.

SEOUL eased after the suspension of an electronics group believed to be seeking protection from creditors. The composite index dipped 4.30 to 687.18 in turnover of Won416.4bn. Construction shares registered gains on good business outlook.

TAIWAN surrendered an early advance and ended lower, the weighted index losing a net 13.08 at 5,204.55 after an intraday high of 5,290.27. Turnover rose to T$51.02bn from Saturday's half-day T$37.19bn.

BANGKOK concentrated on Bangkok Land and Krisda Mahanakorn which accounted for more than one-third of turnover. The SET index closed 0.18 higher at 780.26 on turnover of Bt8.75bn. Bangkok Land lost Bt4 to Bt177, its first fall since its debut on February 5, with Bt1.92bn worth of shares changing hands.

AUSTRALIA rose after earlier falls: the All Ordinaries gained 4.0 at 1,594.9. Commonwealth Bank put on 21 cents to A$7.12 after denials that further rights issues were being considered. News Corp fell 16 cents to A$15.60: its interim profits are due on Thursday.

NEW ZEALAND recovered some losses, having been depressed by falls in Telecom and Fletcher Challenge. The NZSE-40 index shed a net 8.82 to 1,458.30 in turnover of NZ$15m. Telecom lost 4 cents at NZ$2.29 and Fletcher Challenge 5 cents at NZ$3.44.

BOMBAY rallied strongly as fears receded over a border dispute with Pakistan after reports of a build-up of troops on the border. The BSE index gained 78.99 or 3.60 per cent at 2,273.47. KARACHI also recovered after the government banned a planned march by Kashmiri militants. The index rose 14.32 to 1,410.72.

Pacific Rim celebrates Chinese new year

By William Cochrane

Major equity market blocs produced a muted performance last week, with the FT-Actuaries Indices for Japan and Europe both down 0.6 per cent, the US up by the same amount and the World Index, in local currency terms, 0.1 per cent lower over the five days.

Tokyo started the week well, rising for the third consecutive day after efforts by the ruling Liberal Democratic Party and the Ministry of Finance to reassure investors that they were concerned about the current slump. Among their proposals were a rise in dividends and a reduction in securities trading tax.

However, it weakened from Tuesday, when a fall in futures prices led to selling of the cash market. By the end of the week, criticism had mounted of futures trading and the effect of arbitrageurs on the underlying equities, and institutions were only placing buy orders at below existing market levels.

The US rose on balance. Last Friday it went into the weekend depressed after an unexpected decline in employment in January, and no change in monetary policy by the Federal Reserve.

Europe would have shown a rise of 0.3 per cent excluding a 1.9 per cent drop in the UK, where uncertainty over Wall Street and the political future at home kept big institutions on the sidelines.

The Pacific Rim had an unexpectedly active week, or what was left of it after the Chinese New Year holidays. Hoare Govett notes that Hong Kong had only one-and-a-half trading days last week due to the holiday break, but that bullish sentiment continued. The broker detected increased participation by retail investors and that – in tandem with the Japanese derivatives theme – the more liquid blue chip warrants were heavily chased by local investors.

Malaysia was the best performer of the week, although it opened only on Thursday and Friday. Over the two days, traders noted bargain hunting, index-linked buying and Malaysian corporate buyers.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+2.13	+8.82	+1.07	+12.70	+11.38	+9.40
Belgium	-0.75	+2.61	+8.87	+3.38	+2.12	+0.32
Denmark	-0.12	+0.43	+13.56	+3.58	+2.91	+1.10
Finland	-0.52	+9.08	+4.89	+18.70	+17.16	+15.10
France	-0.41	+1.76	+17.61	+5.51	+4.68	+2.83
Germany	+0.56	+5.57	+11.65	+7.63	+6.58	+4.70
Ireland	-1.31	+2.47	+18.12	+5.09	+4.35	+2.51
Italy	+1.42	+3.91	+7.40	+9.73	+9.17	+7.28
Netherlands	-0.18	+3.46	+20.02	+5.31	+4.33	+2.49
Norway	-2.15	+2.21	-4.09	+5.14	+4.10	+2.26
Spain	+0.77	+1.27	+9.65	+4.45	+4.44	+2.60
Sweden	+0.83	+2.14	+6.37	+6.09	+5.57	+3.71
Switzerland	+0.98	+2.71	+21.84	+6.68	+5.70	+3.84
UK	-1.95	+1.92	+12.34	+1.40	+1.40	-0.39
EUROPE	-0.64	+2.70	+13.11	+4.27	+3.79	+1.96
Australia	-2.45	-6.52	+17.07	-4.73	-3.80	-5.50
Hong Kong	+2.55	+9.40	+44.41	+10.64	+12.98	+10.99
Japan	-0.63	-2.21	-9.10	-5.65	-4.14	-5.82
Malaysia	+3.43	+6.24	+5.01	+5.91	+12.83	+10.84
New Zealand	+0.70	-3.71	-0.05	-3.75	-1.50	-3.24
Singapore	-0.06	+2.70	+19.41	+2.99	+4.77	+2.93
Canada	-0.09	+1.20	+2.82	+2.37	+2.21	+0.41
USA	+0.59	-0.94	+16.29	-1.17	+0.59	-1.17
Mexico	+1.87	+5.87	+170.50	+12.62	+13.78	+11.77
South Africa	+2.51	+0.51	+41.65	+6.78	-0.46	-2.22
WORLD INDEX	-0.06	-0.24	+7.53	-0.88	+0.14	-1.63

† Based on February 7th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 7 1992								THURSDAY FEBRUARY 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	142.55	+0.4	114.99	112.82	115.58	125.79	-0.4	4.39	142.03	115.92	112.85	116.64	126.30	160.31	112.74	125.74
Austria (20)	182.18	+1.4	146.95	144.18	147.71	147.88	+0.3	1.95	179.75	146.71	142.83	147.61	147.46	222.37	153.86	192.97
Belgium (46)	144.80	+0.8	116.80	114.59	117.40	114.98	-0.2	5.12	143.59	117.20	114.09	117.91	115.26	151.20	118.04	143.65
Canada (115)	136.86	-0.3	110.39	108.31	110.95	116.84	-0.3	3.15	137.32	112.08	109.10	112.75	117.23	144.28	126.49	135.95
Denmark (36)	270.08	+1.0	217.86	213.75	218.98	222.33	-0.2	1.61	267.42	218.28	212.49	219.60	222.87	273.84	217.74	258.31
Finland (15)	89.80	+0.7	72.43	71.07	72.81	80.37	-0.2	2.64	89.17	72.78	70.85	73.22	80.55	125.15	73.32	103.46
France (106)	154.70	+1.2	124.79	122.43	125.42	129.04	+0.1	3.44	152.92	124.81	121.50	125.57	128.87	154.70	119.11	143.15
Germany (65)	122.84	+0.9	99.09	97.23	99.59	99.59	-0.4	2.32	121.72	99.34	96.72	99.95	99.95	125.35	94.15	118.31
Hong Kong (55)	195.74	+1.0	157.89	154.91	158.71	194.88	+0.9	3.89	193.87	158.24	154.04	159.21	193.05	195.74	119.62	135.63
Ireland (16)	172.02	+0.4	138.76	136.14	139.47	142.20	-0.5	3.59	171.26	139.78	136.08	140.63	142.87	182.46	132.88	157.82
Italy (77)	80.86	+0.3	65.22	63.99	65.56	70.96	-0.8	3.25	80.58	65.77	64.03	66.17	71.53	88.23	64.76	81.09
Japan (473)	127.91	+0.1	103.17	101.22	103.72	101.22	-0.3	0.84	127.77	104.29	101.52	104.94	101.52	146.97	118.23	139.09
Malaysia (68)	237.40	+2.5	191.49	187.87	192.47	237.72	+2.3	2.75	231.52	188.96	183.95	190.12	232.37	247.78	189.18	218.14
Mexico (18)	1554.95	+2.3	1254.27	1230.60	1260.72	5209.11	+2.4	1.00	1520.02	1240.61	1207.76	1248.20	5088.26	1554.95	534.45	601.55
Netherland (31)	156.48	+1.0	126.22	123.84	126.88	125.41	-0.2	4.31	154.89	126.42	123.07	127.19	125.66	156.48	125.70	140.41
New Zealand (14)	45.46	-0.1	36.67	35.98	36.86	44.44	-0.3	6.18	45.50	37.14	36.16	37.37	44.59	54.64	41.18	50.20
Norway (24)	182.83	-0.1	147.48	144.70	148.24	152.19	-1.0	1.76	183.03	149.39	145.43	150.30	153.78	223.24	157.08	203.35
Singapore (38)	226.11	-0.3	182.39	178.95	183.32	168.90	-0.5	2.06	226.78	185.10	180.20	186.23	169.83	228.43	151.63	176.86
South Africa (61)	243.38	+0.6	196.32	192.61	197.32	184.72	+0.2	2.89	241.96	197.48	192.25	198.69	184.28	271.99	173.00	193.28
Spain (52)	160.47	+1.0	129.44	127.00	130.10	119.68	-0.2	4.62	158.84	129.64	126.21	130.43	119.91	171.12	131.51	158.19
Sweden (25)	187.86	+1.1	151.53	148.68	152.32	157.88	+0.0	2.83	185.83	151.67	147.66	152.61	157.70	204.12	146.60	181.80
Switzerland (59)	104.22	+1.3	84.06	82.48	84.51	89.94	+0.0	2.23	102.91	83.99	81.77	84.52	89.89	104.22	82.17	96.53
United Kingdom (233)	184.60	+0.5	148.91	146.08	149.66	148.91	-0.6	4.99	183.61	149.86	145.87	150.76	149.85	187.44	158.27	177.98
USA (523)	167.89	-0.7	135.42	132.87	136.12	167.89	-0.7	2.91	169.01	137.94	134.29	138.79	169.01	171.66	125.95	145.48
Europe (809)	150.58	+0.8	121.47	119.17	122.10	122.48	-0.4	3.93	149.40	121.94	118.71	122.69	122.94	151.52	125.50	144.28
Nordic (100)	188.52	+0.9	152.07	149.20	152.85	151.24	-0.2	2.14	186.84	152.49	148.46	153.43	151.61	200.81	155.55	184.83
Pacific Basin (717)	130.33	+0.2	105.13	103.14	105.67	104.58	-0.2	1.17	130.10	106.18	103.38	106.84	104.79	145.92	117.86	138.12
Euro-Pacific (1526)	138.72	+0.4	111.90	109.78	112.47	112.44	-0.3	2.36	138.11	112.73	109.73	113.41	112.77	147.66	121.29	140.99
North America (638)	165.91	-0.6	133.83	131.32	134.54	164.42	-0.6	2.92	166.99	136.29	132.70	137.15	165.49	169.69	125.91	144.80
Europe Ex. UK (576)	129.79	+1.0	104.69	102.73	105.25	107.05	-0.2	3.18	128.54	104.91	102.15	105.58	107.26	129.80	103.58	123.73
Pacific Ex. Japan (244)	154.26	+0.8	124.43	122.10	125.08	137.94	+0.4	3.87	153.08	124.94	121.65	125.72	137.38	154.26	111.40	125.96
World Ex. US (1720)	140.68	+0.4	113.48	111.35	114.07	114.61	-0.3	2.38	140.07	114.32	111.30	115.03	114.90	148.16	122.32	141.60
World Ex. UK (2010)	145.39	+0.0	117.28	115.07	117.89	129.24	-0.4	2.30	145.46	118.72	115.59	119.46	129.74	150.58	120.06	138.29
World Ex. So. Af. (2182)	148.20	+0.0	119.54	117.29	120.16	130.63	-0.4	2.58	148.18	120.94	117.75	121.70	131.18	153.05	122.92	141.49
World Ex. Japan (1770)	161.25	+0.0	130.07	127.62	130.76	148.06	-0.5	3.31	161.28	131.63	128.16	132.46	148.74	161.90	126.69	144.62
The World Index (2243)	148.80	+0.0	120.03	117.77	120.66	131.12	-0.4	2.58	148.78	121.43	118.22	122.18	131.66	153.70	123.28	141.81

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